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Co-operative centralized purchasing in the city of New York. Results of a year's practical test of central purchasing in the mayor's departments, conducted by the Mayor's central purchasing committee. [New York, Press of C. S. Nathan, inc.] 1915.

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Henry Bruère, chairman.

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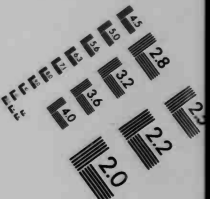
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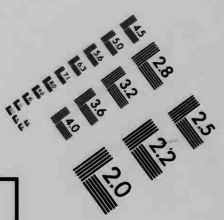


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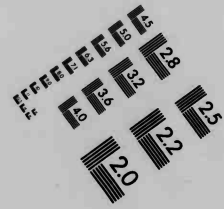
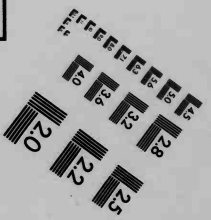
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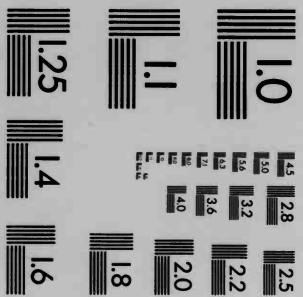
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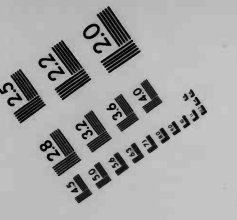
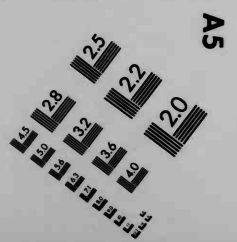
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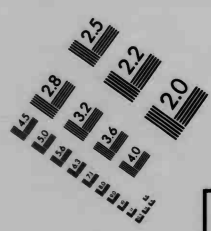
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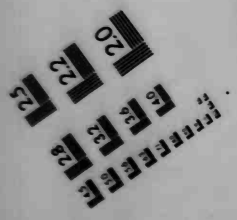
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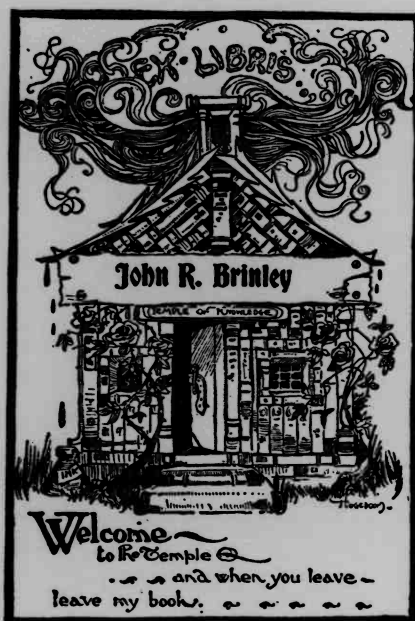
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THE FINANCES AND
FINANCIAL ADMINISTRATION
OF NEW YORK CITY

RECOMMENDATIONS AND REPORT OF
THE SUB-COMMITTEE ON BUDGET,
FINANCE, AND REVENUE, OF THE CITY
COMMITTEE ON PLAN AND SURVEY

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FINANCIAL ADMINISTRATION
OF NEW YORK CITY

RECOMMENDATIONS AND REPORT OF
THE SUB-COMMITTEE ON BUDGET,
FINANCE, AND REVENUE, OF THE CITY
COMMITTEE ON PLAN AND SURVEY

HERBERT H. LEHMAN
Chairman

LINDSAY ROGERS

HOWARD LEE MCBAIN

ROBERT MURRAY HAIG

Consultants to the Sub-committee



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FOREWORD

When the Sub-committee on Budget, Finance, and Revenue was organized in December, 1926, it was agreed that before we could formulate any recommendations we must have before us certain data on the problems falling within our terms of reference. This material, the Sub-committee decided, should include: (1) a description of the financial administration and fiscal structure of the City of New York; (2) memoranda on previous recommendations by committees similar to ours; and (3) in connection with the problem of new sources of revenue, an analysis of some recent important developments in European municipal finance. With the permission of the Sub-committee I entrusted the task of directing the preparation of this material to Dr. Lindsay Rogers, Professor of Public Law in Columbia University.

During the summer and autumn months the proofs of the survey of "The Finances and Financial Administration of New York City" were circulated among the members and were discussed at a full meeting of the Sub-committee. Thereafter the draft recommendations which follow were formulated in frequent consultation with a group of the members of the Committee. In the preparation of these recommendations we have had the able assistance of Professors Lindsay Rogers, Howard Lee McBain and Robert M. Haig, all of Columbia University, to whom the Committee and I are under much obligation.

I feel confident that those who read the following pages will find therein an adequate explanation of the delay in the formulation of the Sub-committee's recommendations. The matters dealt with are extremely complicated and puzzling. No similar study of New York's finances has been attempted before, and even with helpful and generous coöperation from city officials it was not possible to arrange for an earlier publication of the report.

HERBERT H. LEHMAN,
Chairman.

MEMBERS OF THE SUB-COMMITTEE

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*Deceased

ACKNOWLEDGMENTS

It is not easy to apportion credit for the various chapters of this volume. In most cases the authors were several, and, as the text now stands, after considerable editing, responsibility is somewhat confused. Contributors to the different chapters were as follows:

Chapter I, The Fiscal Structure, Mr. Joseph McGoldrick, of the Department of Public Law, Columbia University; Chapter II, Expenditures, Mr. McGoldrick, Dr. Luther Gulick, Lecturer on Municipal Administration, Columbia University, and Director of the Institute of Public Administration, and Mr. A. E. Buck of the staff of the Institute; Chapter III, Salaries, Mr. R. O. Beckman, Examiner, Civil Service Commission, Cincinnati, Ohio, and Dr. Gulick; Chapter IV, Purchasing, Mr. Russell Forbes, Lecturer on Municipal Government, New York University, and ex-Secretary of the National Association of Purchasing Agents; Chapter V, Revenues, Dr. Gulick and Mr. Beckman; Chapter VI, Taxes and Assessments, Mr. McGoldrick and Dr. Gulick; Chapter VII, Debt (in part), Dr. Paul Studensky, Lecturer on Public Finance, New York University, and Chapter VIII, Subway Finance, Dr. John Dickinson, Assistant Professor of Politics, Princeton University.

Appendices B, C, and D were prepared by Mr. McGoldrick; Appendix H by Mr. Ernest Willvonseder, C.P.A., New York City; Appendix J by Mr. William Watson, of the staff of the Institute of Public Administration; and Appendix R by Dr. Robert M. Haig, Professor of Business Organization and Dr. Donald H. Davenport, Assistant Professor of Business Statistics, of Columbia University. The Sub-committee also had before it memoranda (not published here) relating to recent developments of municipal finance in foreign countries. These were prepared by Dr. George Bielshowsky, and by Miss Sarah Greer, of the staff of the Institute of Public Administration.

The original outline of the main Report was prepared by Dr. Gulick. The joint authorship of the first draft of the manuscript made rather severe editing necessary. In this task I had the able assistance of Mr. McGoldrick. Mr. Carlos L. Israels, of the Columbia Law School, and Miss Vera Mikol, who were my secretaries, helped materially with the editing. All of the proofs were read by Dr. Howard Lee McBain, Ruggles Professor of Constitutional Law in Columbia University, and by Professor Haig and Professor Dickinson. Their valuable criticisms resulted in many improvements in the text of the report.

While this Report was prepared, so to speak, on the outside, its authors were nevertheless able to avail themselves of the assistance of a number of city officials. Former Commissioner of Accounts Joseph A. Warren and the present Commissioner of Accounts James A. Higgins have acted as general secretaries of the Committee on Plan and Survey and have been very helpful. On specific subjects the following officials have been of much assistance:

Budgetary Procedure: Peter J. McGowan, Secretary of the Board of Estimate, Charles L. Kohler, Director of the Budget, James P. Divver, Director of Investigations of the Board of Estimate, and Messrs. Thomas P. Smith, Jr., Joseph Eustace and Paul Loeser, Examiners of the Board of Estimate; Salaries: Thomas C. Murray, Director of Examinations of the Civil Service Commission, and William O'Connell, Examiner of the Board of Estimate; Purchasing: Frazee L. Belknap, Assistant Engineer, Department of Purchase; Debt: Duncan MacInnes, Chief Accountant of the Department of Finance; Revenues and Assessments: Edward J. Flynn, City Chamberlain, Henry M. Goldfogle, President of the Board of Taxes and Assessments, and Richard J. Delehanty, Chief Deputy of Real Estate of the Board of Taxes and Assessments. Mr. John H. Delaney, President of the Board of Transportation, was also consulted frequently. The fact that these officials gave generous assistance to the Sub-committee does not imply that they approve of the Report's conclusions.

The first draft of this Report was in galley proof for three months, and revised proofs were subject to correction for four

months before they were paged. Before the Report was ready for publication the figures of the 1928 Budget were available. It was not considered possible, however, to substitute them for the 1927 figures, except in cases where there have been changes of procedure. The 1927 figures are just as forcible in illustrating the matters to which the Report calls attention.

The proofs were submitted to all of the gentlemen mentioned above and many corrections and suggestions were received. Mr. MacInnes was good enough to have his staff check all the figures so far as they were comparable to the figures appearing in Comptrollers' Reports. Especially valuable, however, were the painstaking criticisms of Mr. Thomas P. Smith, Jr., who gave unstintingly of his time and who made available to the staff of the Sub-committee his exceptional knowledge of the city's fiscal structure. This prolonged and meticulous scrutiny by many persons has probably not eliminated all errors, but it is reasonable to hope that it has kept them from being numerous.

LINDSAY ROGERS.

Columbia University,
April 1, 1928.

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I. RECOMMENDATIONS

A. THE BUDGET PROBLEM

A segregated budget allocating a half billion dollars in thousands of lines covering several hundred pages is a formidable document. This is inevitable. It is nevertheless the only photograph of the city's activities as a whole that is ever struck. It ought, therefore, to be as realistic and as complete a picture as possible. It certainly can be made more realistic and complete than it is. The elected officials who adopt the budget seldom have any expert personal knowledge of the city's finances. They need all the information they can get. The public also needs all possible information. Nobody imagines that the budget document, whatever its form and content, will be popularly consumed. But it ought to contain all the information that is required for intelligent press comment upon its salient features. It should not be a document the entire inwardness of which is intelligible to only a few experienced budgetary ferrets. Such it is at present.

Before considering, however, specific changes in the form and content of the budget your Committee recommends first a change in the date of the fiscal year, and second a relocation of responsibility for the preparation and presentation of the budget.

CHANGE OF THE FISCAL YEAR

The fiscal year is now identical with the calendar year. As a result the detailed work of preparing and examining the departmental estimates falls in the summer months—the period of vacations. This is highly inconvenient. The city's fiscal year, like that of the national and state governments, should run from July first to June thirtieth. The budget dates should be as follows:

February 1—Last date for filing departmental estimates with the Director of the Budget. If the estimate of any department is not filed by this date the appropriation of the pre-

ceding year, if and as modified, shall be taken as the estimate for that department.

March 1—Last date (as at present) for the Board of Taxes and Assessments to certify the assessment rolls to the Board of Aldermen. Last date also for the Comptroller to file his estimates of the several revenues which go into the General Fund.

March 15—Last date for filing supplementary or mandatory departmental estimates. The practice of submitting these during almost the entire period of budget-making should be abolished.

April 1—Date on which the Mayor shall, as hereinafter recommended, present his proposed budget to the Board of Estimate.

April 20—Last date for increasing but not decreasing items in the budget. Between this date and April 30 taxpayers' hearings shall be held.

April 30—Last date for final adoption of the budget by the Board of Estimate.

May 5—Last date for the submission of the budget to the Board of Aldermen and its publication in the *City Record*.

May 25—Last date for final adoption of the budget by the Board of Aldermen.

June 30—Last date for the filing of the budget in the office of the Comptroller.

July 3—Last date for fixing the annual tax rates by the Board of Aldermen.

This arrangement of dates speaks for itself. It follows closely in the first half of the year the arrangement of budgetary dates which now falls in the second half of the year—running from August 1 to December 31. The chief differences would be (1) that the tax assessments and the estimates of General Fund revenues would be available, as they should be, while the budget is in the making; (2) that the approximate tax rates would, therefore, at least be in sight during this period, and (3) that the tax rates would be fixed immediately after the adoption of the budget instead of, as at present, three months thereafter.

It may seem that February 1 is an early date at which to require the filing of departmental estimates in a year following the election of a new Mayor and the possible appointment of numerous new department heads. It would be impracticable, however, to put this date one month later. In the proposed dates there appears to be a "waste" period between May 25, the date of final adoption by the Board of Aldermen, and June 30, the end of the fiscal year. But this period is necessary for the possible operation of the Mayor's veto power upon the reduction of items by the Board of Aldermen and the action of the Board of Aldermen in overriding such vetoes. True, this feature of the budget process has not actually operated for many years. It should nevertheless probably be preserved as your Committee will presently point out.

The period of transition from the old to the new fiscal year would not, we believe, present too great difficulties. Under the present schedule of dates a budget could be made for the first six months of the ensuing calendar year. Taxes could, as now, be levied in March, the whole payable in May, to meet that budget. The rate would be approximately half of what it would be if the budget were for a full year. Another budget for the full, new fiscal year (July 1 to June 30) could be made during this half-year period in the spring, following the schedule of dates indicated above. The tax rates would be fixed early in July. The first half of these taxes would be payable in November, as the second half now is, and the second half would be payable in May, as the first half now is.

This change of the fiscal year would necessitate a change also in the time at which the *Comptroller's Report* is prepared and published. The preparation of this report would fall in the summer instead of the winter months. There would be some disadvantages in this. Your Committee believes, however, that such disadvantages would be more than offset by the enormous advantages that would accrue to the general process of budget-making. The Comptroller's office might be given three months, instead of two months, as at present, for the making of this report. The date of the report would be October 1.

THE MAYOR'S RESPONSIBILITY FOR THE BUDGET PROPOSAL

In legal theory the Board of Estimate "prepares" the budget and presents it to the Board of Aldermen for consideration and adoption. The Board of Estimate "proposes"; the Board of Aldermen "adopts". It is common to hear it said that the Board of Aldermen is the real budget-making authority. This is legal fiction. Apart from a small amount of publicity in respect of a finished product, the action of the Board of Aldermen upon the budget is an almost futile gesture. Indeed, the preservation of this feature of the budget-making process can be justified, if at all, chiefly if not solely upon the basis of its possible emergency use. It pays lip service perhaps to the ancient doctrine that the legislative body should control the public purse strings. But every observer knows that the Board of Aldermen does nothing of the kind. The Board is limited to reducing items. This limitation on its power to control all but destroys the power itself—except as just indicated for possible emergency use. On the other hand, the submission of the budget to the Board of Aldermen does no special harm, so far as your Committee can see, and the requirement should be retained.

Its retention, however, should not be allowed to masquerade or obscure the undeniable fact that it is the Board of Estimate that makes, and for all practical purposes, also *adopts* the budget. This is the legislative body that really controls the purse strings. Incidentally it is no less representative than is the Board of Aldermen, although the basis of representation is different.

Not only is the legal theory that the Board of Aldermen is the responsible budget-adopting authority belied by the facts, but so also is the legal theory that the Board of Estimate "prepares" the budget. The preparation of the budget by a collective body like the Board of Estimate is an impossibility. The Board can do and does nothing more than revise a budget that has been prepared by someone else. At the present time the mass of estimates that come from the numerous departments and offices are worked over by the examiners of the Board under the somewhat ill-defined joint direction of the Director of the Budget, an ap-

pointee of the Mayor, and the Director of Investigations, an appointee of the Board of Estimate. It is these officers who prepare the budget.

Your Committee is of the opinion that responsibility for the preparation of the budget and its proposal to the Board of Estimate is not sufficiently centralized. In our judgment, the Mayor, not the Board of Estimate, should be responsible for the preparation of the budget, and should present it to the Board of Estimate as *his* proposal. To this end a Department of the Budget should be established by local law. The Director of the Budget, subject to appointment and removal by the Mayor, should be the executive head of this Department and most of the examiners and some of the engineers now under the Secretary of the Board of Estimate should be transferred to the Department. The tax budget should be prepared by the Director of the Budget and submitted to the Board of Estimate by the Mayor, with a statement or message analyzing and outlining its more important features. The Capital Outlay Programme hereinafter discussed should also be prepared by the Director. In short, all initial proposals of financial expenditures should pass under his scrutiny and then go to the Board of Estimate with the recommendation of the Mayor.

Not the least of the reasons for this proposal to centralize responsibility for the preparation of the budget under the Mayor is the existence of large spending agencies under the Borough Presidents. From time to time the proposal has been made to transfer the administrative activities of the Borough Presidents' offices to departments officered by appointees of the Mayor and to confine the Borough Presidents to their functions as members of the Board of Estimate and Apportionment. On this proposal your Committee expresses no opinion, for the reason that it involves considerations that are larger than merely fiscal. The relation of the Borough Presidents to the budget is, however, probably the principal reason that is advanced for depriving them of their administrative powers. As long as they retain these powers it is of prime importance that their budget requisitions should be examined and reported upon by a department over which they have no control. As members of the Board of Esti-

mate they would have ample opportunity, if need be, to defend their own recommendations.

In addition to the important task of preparing the budget, certain duties now performed by the Board of Estimate could advantageously be devolved upon the Director of the Budget. By the Terms and Conditions of the Budget it is now required that the Board of Estimate shall approve every proposed contract in excess of \$1,000 that is chargeable to the budget. Many such contracts are relatively small. There is no reason why the Director of the Budget should not be authorized to approve contracts in amounts of less than \$5,000. In this connection, it should be noted that contracts for local improvements under the direction of the Borough Presidents, which are financed out of the two revolving assessment funds (the Street Improvement Fund and the Fund for Street and Park Openings), are not submitted to the Board of Estimate. The law should require that these contracts and their specifications should be so submitted.

If lump sum appropriations for materials, supplies, equipment, and the like are not itemized, as it is hereinafter recommended they should be, the approval of the Director of the Budget should also be required for any considerable expenditure from such appropriations. If they are so itemized, his approval should be obtained for any subsequent change. It is often the case that such appropriations are used for the extension or initiation of activities and the purchase of supplies, materials, or equipment that were not in contemplation when the appropriation was made. At present there is no satisfactory check upon this practice.

The Director of the Budget should also, it is believed, be empowered to approve modifications in Personal Service salaries and requests for the filling of vacancies at other than the minimum rates. If he be not so empowered, it should certainly be provided that such proposals be routed through his office and go to the Board of Estimate with the recommendation of the Mayor.

The activities of the Department of the Budget would naturally be heaviest during the active spring months of budget-making; but the preparation of the Capital Outlay Programme hereafter outlined would claim its attention during the autumn and

winter months. In fact, the Department would find abundant work to do at all seasons of the year. Budget-making in New York should be a continuous process.

In making this proposal for a Mayor's budget your Committee is under no delusion in respect of the already burdensome duties of the Mayor. If he is made responsible for the budget proposal, he will in the nature of things be compelled to rely heavily upon the Director of the Budget. The success of this proposed change will depend in large measure, if not entirely, upon the sound judgment, the expertness, the detailed knowledge of the city's financial operations and upon the courage of the Director. Needless to say, it would also depend in large measure upon and be assured by the skill and competence of the staff which would be transferred to his Department from the office of the Secretary of the Board of Estimate.

CONTENT AND FORM OF THE BUDGET

For purposes of clarity the term "Mayor's Budget" is here used to designate the budget document which it is recommended shall be submitted by the Mayor to the Board of Estimate on April 1. The term "Proposed Budget" is used to denote the same document with the alterations that have been made by the Board of Estimate prior to April 20, after which no items may be increased. The term "Budget" refers to the document that is finally adopted by the Board of Estimate on or before April 30.

Revenue Items.—When the budget is under public consideration by the Board of Estimate it is highly desirable, not to say indispensable, that estimates of probable revenues should be available, both to the Board and to the public. The Mayor's Budget, therefore, should contain:

- (1) The Comptroller's estimate of revenues of the General Fund showing the source of each revenue and, in parallel columns, a comparison with the revenues of several preceding years. It was formerly the practice of the Comptroller to submit these estimates showing this comparison. The practice should be restored and made mandatory upon the Comptroller.

In this connection your Committee recommends that all special revenues, except such as are earmarked for sinking funds, should be abolished. Such revenues, for example, as the water revenues, bridge revenues, antitoxin fund, etc., should be converted into the General Fund. From the viewpoint of budget-making it would also be advantageous to cover into this fund the state subvention for education. It is doubtful, however, whether the legislature could be induced to enact a law to that end. It would certainly meet with considerable opposition.

(2) A statement of the amount which would have to be collected in taxes to meet the requirements of the Mayor's Budget.

(3) A statement of the assessed valuations as finally fixed by the Board of Taxes and Assessments and confirmed by the Board of Aldermen in March.

(4) A computation of the tax rates for the several boroughs based upon these figures.

At the time of printing of the proposed budget for the taxpayers' hearings on and after April 20, items two and four should be revised so as to account for the alterations made by the Board of Estimate.

Departmental Totals.—In connection with the appropriations for the several departments there are certain items properly chargeable to the departments which ought to be indicated if we are to have anything like a true picture of the financial allowances that are made. These are: Debt Service charges; Rent charges; and Corporate Stock allowances.

In the present budget the appropriations for Debt Service are, as they should be, itemized in large sums at one place in the budget. They run:

"Code 3005—Interest on Funded Debt of the City of New York as constituted since January 1, 1898;

"Code 3006—Interest on Corporate Stock Notes," etc.

Following the itemization of departmental appropriations there should be shown what portion of these Debt Service items are chargeable to each department. This should be done by using

the code number of the Debt Service item followed by the key letter "D" meaning distributed, together with the proper amount. This would not mean that this amount was actually appropriated at this point in the budget. It would simply indicate what portion of the amount that is appropriated under Debt Service belongs to that department. Precisely the same plan should be followed in respect of appropriations for Rent. For example, under the appropriations for Personal Service and Other Than Personal Service for the Department of Water Supply, Gas and Electricity there would fall such items as these:

3005D	Debt Service, Permanent Debt Charges	\$12,665,168.00
3022D	Debt Service, Special Revenue Bonds.	122,000.00
3037D	Rent.....	58,620.00

Distributed Amounts—Total..... \$12,845,788.00

The Corporate Stock allowance to the departments should also be indicated as hereinafter explained. The departmental total would then consist of three main items:

- (1) Tax levy allowance;
- (2) Distributed amounts;
- (3) Corporate Stock allowance.

If the special revenue funds are not abolished as above recommended there would be for some departments, in addition to these items, an item indicating the special revenue allowance.

Form of the Budget.—Your Committee recommends that the budget document, from the time of its presentation by the Mayor to its final adoption, be divided into three parts. Part I should consist of the code items appropriated, each line carrying a lump sum appropriation. Part II should consist of the schedules in support of these code items. Lump sum appropriations without supporting schedules should be absolutely prohibited, with the exception of contingent funds to be expended with the approval of the Mayor. All appropriations should by law be required to be spent in accordance with the supporting schedules. Part III should be the Capital Outlay Programme hereinafter described.

In the matter of Personal Service schedules the budget is

already sufficiently detailed. In the matter of Other Than Personal Service appropriations there should be additional itemization. To illustrate: Code 2209 in the budget for 1928 carries an appropriation of \$85,400 for Motor Vehicles and Equipment in the Department of Water Supply, Gas and Electricity. This item should have a supporting schedule which should also indicate replacement items. For example, as follows:

CODE	PURPOSE	REQUESTED BY DEPARTMENT	RECOMMENDED BY MAYOR
2209	Motor Vehicles and Equipment.....	\$124,180.00	\$85,400.00
	General.....	\$15,880	
	Automobile, Touring (X).....	1,700	
	Automobile, Sedan,		
	6 at \$1250 (5X).....	7,500	
	Automobile, Runabout,		
	5 at \$720 (X).....	3,600	
	Trucks—1 Ton,		
	18 at \$720 (6X).....	12,960	
	Trucks—1 Ton,		
	9 at \$850.....	7,650	
	Trucks—2 Ton,		
	12 at \$3000.....	36,000	
	(X)—A replacement.		

If, after the adoption of the budget, the department wishes for valid reasons to expend this money somewhat differently, the Director of the Budget should be empowered to authorize a change, subject to approval by the Board of Estimate.

The present form of the budget document that is used by the Board of Estimate while the budget is in the making need not be described here; but it is far from satisfactory. It is too difficult to follow comparatively. Your Committee suggests that the Mayor's Budget be set up in the following columns:

- (1) Appropriations for the previous fiscal year as modified.
- (2) Expenditures for the previous fiscal year.
- (3) Appropriations for the current fiscal year.
- (4) Appropriations for the current fiscal year as modified to March 1 or some other practical date.
- (5) Code number and title of appropriation.

- (6) Departmental request for the ensuing year.
- (7) Mayor's recommendation for the ensuing year.

The proposed budget as fixed by the Board of Estimate on April 20 should contain an eighth column as follows:

- (8) Board of Estimate's recommendation for the ensuing year.

When finally adopted by the Board of Estimate columns 1, 2, 3, 4, 6, and 7 would be eliminated, leaving only columns 5 and 8. During the period of consideration by the Board the title of the appropriation would be near the center of the page with previous figures on the left hand side and proposed figures on the right hand.

If the budget document is set up in this form it is manifest that a comparison of present proposals with previous figures can be made at a glance. The reason for columns 1 and 2 is that they show the final figures for an entire fiscal year; the picture is complete. It is obviously impossible to present a complete picture for the current year. The amounts appropriated do not tell the whole story.

This set-up of the budget document should be followed not only in Part I but also in Part II containing the line-by-line supporting schedules. In the Personal Service items of these schedules some difficulty will be encountered in presenting this line-by-line comparison where modifications have been made in the previous or current budget or changes are proposed in the new budget that affect the number and titles of positions. Your Committee believes, however, that the Budget Director and his staff can in the course of time iron out this difficulty by the use of appropriate devices.

If the fiscal year is changed as herein recommended there will also be difficulties in the transitional half year and in the first new fiscal year as to the figures in columns 1 to 4 and in the second new fiscal year as to the figures in columns 1 and 2. Such difficulties are not, it is believed, insurmountable. They are in any event only temporary.

Terms and Conditions of the Budget.—The terms and conditions of the budget are a series of descriptive requirements which

the Board of Estimate lays down. The departments must observe these requirements in making their expenditures under the authorized appropriations. These terms and conditions are not, however, binding upon the Board of Estimate. They should be made so by law. Moreover, the terms and conditions of the budget should be completely revised.

ACCRUALS

Savings in Personal Service appropriations which result from vacancies in office or from the filling of vacancies by appointments at a lower salary scale than that provided for in the budget, are in New York budgetary parlance known as accruals. In all of the departments employing a large personnel such accruals should be estimated and deducted from the departmental appropriation in the budget. It should be provided by law that all undeducted accruals should automatically go into the Tax and Appropriation Deficiency and Surplus Account. The practice of transferring such amounts to be used for purposes not contemplated by the budget nor considered at the time of its making should be prohibited.

REDUCTION OF SPECIAL REVENUE BONDS

Special revenue bonds are now issued for certain specific purposes under authorization of Section 188 of the Charter as well as under other state laws. There is no question that the need for the issue of these bonds can be reduced.

Snow Removal.—Prior to the budget of 1928 snow removal expenses have been met wholly by the issue of special revenue bonds. In the budget of that year there is incorporated an item of \$1,000,000 for snow removal and an item of \$407,400 for snow removal equipment. The first item was based upon no kind of estimate. Your Committee recommends that the budget include an appropriation for snow removal based upon an average of expenditures for this purpose over a number of years preceding. It should be strictly required, however, that the amount appropriated should be used for actual snow removal and not for the

purchase of equipment. If any equipment is needed, an appropriation for this purpose should appear in the budget. It should also be rigidly provided that any balance in this appropriation should revert to the Tax and Appropriation Deficiency and Surplus Account. If, in the previous year, the appropriation proved insufficient and special revenue bonds were issued, the Debt Service for this purpose would be shown in connection with the new appropriation, as above indicated in respect of the distribution of Debt Service generally. The change of the fiscal year would throw the expenditures for snow removal in any winter season completely within one fiscal year, instead of in two fiscal years as at present.

Your Committee is impressed with the need for some further check upon expenditures for snow removal. We therefore recommend that a detailed report be submitted each year to the Mayor showing the cost of snow removal on a cubic yard basis, including the cost of overhead as well as the cost of direct labor. These unit costs should also be compared with the unit costs of previous years. The requirement of such a report, it is believed, would go far toward correcting the loose use of snow-removal funds. The report could not, of course, be submitted in time for consideration when the budget was being made. It should, however, be submitted not later than June 1.

Claims and Judgments.—Prior to the budget of 1928 claims and judgments were also paid wholly by the issue of special revenue bonds. The budget of this year includes an appropriation of \$1,000,000 for this purpose. Your Committee is again of the opinion that an appropriation for this purpose should be based upon an average of expenditures over a number of years.

In this connection we call attention to the fact that the Comptroller is authorized by law to settle all claims and judgments against the city. This is a very large power to be placed in the hands of a single official. In respect of claims exceeding five thousand dollars the Comptroller should at least be required by law to publish in the *City Record* that he has such a claim under consideration. This notice should be published not less than ten days prior to the actual payment of the claim.

Fire Department Relief Fund.—An appropriation for the Fire Department Relief Fund should be made on the same basis as the appropriations above proposed for snow removal and claims and judgments.

Transit Commission.—The state pays the entire expenses of the Public Service Commission which performs for the rest of the state functions similar to those of the Transit Commission in the City of New York. Under the Public Service Commission Law the Transit Commission may requisition the city for appropriations at any time within its own choosing and have its demands met by the issue of special revenue bonds. There is in this arrangement not only discrimination against the city as compared with the rest of the state but also a quite unjustifiable imposition upon the city in respect of the manner in which it is required to meet the expenditures of this Commission. If the city is required to meet these expenses the Commission should certainly be required to submit its detailed estimates at the regular time of budget-making and have them considered by the Mayor and the Board of Estimate and adopted as are other appropriations. The operations of the Transit Commission are surely no more in the nature of state functions than are the operations of the Department of Education. It would be just as logical to require the city to make a lump sum appropriation in any amount demanded by the Department of Education and to meet the demand by the issue of special revenue bonds as it is to vest this unlimited financial independence in the Transit Commission. In all fairness the legislature should be asked to amend the Public Service Commission Law so as to put the appropriations for the Transit Commission either on the state budget or on the same basis as other city appropriations.

Board of Transportation.—The Public Service Commission Law also apparently permits the city to issue special revenue bonds for the current expenses of the Board of Transportation. For some years the city has in fact been including the expenses of this Board in the tax budget. It can, of course, be plausibly argued that the expenses of this Board, which is engaged exclusively in subway construction, should be a capital charge against

the new subways and should therefore be met by the issue of corporate stock. Any proposal to defray these expenses out of corporate stock is not likely at the present time to meet with much consideration. Certainly, however, the expenses of the Board should be met either out of corporate stock or out of tax appropriations. The provision of the law, which apparently permits the issuance of special revenue bonds for this purpose, should be amended.

Armory Board.—The provision of the law which has been construed to permit the issuance of special revenue bonds for the Armory Board should be amended so as to prohibit this.

Voting Machines.—The purchase of voting machines for the entire city will probably be completed in 1928. As the law stands special revenue bonds may be issued for this purpose. This may have been advisable at the time of the enactment of the law. It should, however, now be amended. The purchase of replacements or of additional machines in the future should be met by appropriations in the tax budget.

If these proposals that the annual tax budget shall include items for the expenses of Snow Removal, Claims and Judgments, Fire Department Relief Fund, Transit Commission, Board of Transportation, Armory Board, and Voting Machines be carried out, the necessity for the issuance of special revenue bonds would be considerably diminished. Such bonds would still be required for certain specific emergencies such as more-than-average snow removal, more-than-average claims and judgments, more-than-average needs of the Fire Department Relief Fund, the condemnation of unsafe buildings, the payment of the expenses of officers who successfully defend themselves against removal, and unforeseen expenses due to contagious diseases or epidemics.

In addition to these specifically named purposes the Charter also authorizes the issue of special revenue bonds not in excess of two million dollars for general and presumably unforeseen purposes upon a concurrent vote of the Board of Estimate and three-fourths of the Board of Aldermen. Your Committee is of the opinion that this amount should be increased to three million dollars in order to give some additional elasticity. This is espe-

cially recommended in view of the above proposal that the transfer of accruals be abolished. The issuance of special revenue bonds for any department would show in the budget of the next year under the distribution of the Debt Service, as hereinbefore described.

CAPITAL OUTLAY PROGRAMME

Part III of the budget should be the Capital Outlay Programme. Early in the autumn the departments should be required to submit to the Director of the Budget all requests for projects to be financed during the next fiscal year (beginning July first) by the issue of corporate stock, serial bonds, or tax notes. These should be arranged by the departments in the order of their urgency from the viewpoint of the department. At the same time information should be furnished as to the state of projects previously authorized, together with the dates and amounts of authorization and the unencumbered balances, if any.

For completed projects the Mayor should recommend the rescindment of such balances. If no progress has been made upon an authorized project the Board should know the reason why and the Mayor should recommend, as the case may be, rescindment, reduction, or continuation of authorization. In every case, however, positive action should be taken by the Board. Authorization of corporate stock or serial bonds which are not in fact needed merely impair the borrowing capacity of the city. They should not be allowed to stand indefinitely. Authorization of tax notes which are not in fact needed merely result in piling up large unexpended balances which are not, and perhaps never will be, required. These should be got out of the way. The only means for accomplishing this is to require an annual review of the entire outstanding commitments.

In respect of new projects it will, of course, not always be possible to make a definite authorization in the Capital Outlay Programme. It is recommended that the appropriation of funds for the preparation of preliminary plans for such projects should, wherever possible, be provided for by the authorization of tax notes. Where a project or a series of projects has not reached the stage for a definite authorization, the Capital Outlay Pro-

gramme should show a Reservation of an estimated lump sum. This would, of course, not be an authorization at all. Specific authorizations or appropriations would have to be made from this Reservation at a later time.

Except in so far as this Programme contains specific rescindments, reductions, continuances, or specific new authorizations, it would not be of binding force. It would be merely a plan, a prospectus. Its usefulness would depend largely upon the zeal which the Director of the Budget, the Mayor, and the Board of Estimate put into the attempt to formulate, and annually revise such a programme. It should be understood also that the adoption of the programme would not preclude the Board of Estimate from authorizing at other times in the year Capital Outlay expenditures unprovided for, or insufficiently provided for, in the Programme. It would not do to tie the hands of the Board in this fashion. It is to be hoped, however, that in the course of time such additional authorizations would become exceptional.

The Mayor should present the Capital Outlay Programme to the Board of Estimate for consideration either during the month of December or of January. Its final adoption by the Board could, however, wait until the adoption of the tax budget.

It ought to be said, no doubt, that the figures contained in the Capital Outlay Programme here suggested have no relation to the amount of corporate stock, serial bonds, or tax notes that would in fact be issued during the fiscal year for which the Programme was made. In this respect the Programme would be wholly unlike the tax budget. The authorization of a capital expenditure does not necessarily mean that the whole or any part of the expenditure authorized will actually be paid for at any specific time. When a "contract liability" will fall due and necessitate liquidation out of the proceeds of corporate stock is often problematical.

ACQUISITIONS OF LAND

Your Committee has given serious attention to the subject of acquisition of land by the city. The present practice by which the city often takes title to land without having the slightest

idea what it will ultimately cost leaves much to be desired. The assessed valuation which is used for determining the so-called "land liability" of the city is a wholly useless index. There is obviously some advantage in the city's taking title immediately to property the acquisition of which it authorizes. In such circumstances it does not have to await the slow process of condemnation before it commences the construction of an improvement. On the other hand, there are grievous disadvantages in this procedure. On the whole your Committee is inclined to believe that the city should be prevented from taking title to land until a tentative award in condemnation proceedings has been made by the court and presented to the Board of Estimate by the Corporation Counsel. If, in the opinion of the Board, the award is excessive, the Board should have authority to order a discontinuance of the condemnation proceedings, paying the owner only the amount of his costs. If, on the contrary, the award is satisfactory the Board could then take title. Something should certainly be done to remedy a situation in which condemnation awards are sometimes five or six times the amount of assessed valuations.

The Comptroller has the power to purchase property by private negotiation. No doubt this power is not exercised as often as it might and should be. As long, however, as the owners of property realize the advantage that accrues to them by forcing the city to proceed by condemnation they will probably usually refuse to sell.

As soon as condemnation proceedings have been instituted against a piece of property authorized to be acquired, the Corporation Counsel should be required to advise the Board of Estimate, giving the date of the Board's authorization. There is no question that in many instances proceedings are, for one reason or another or for no reason at all, unduly delayed. The Board should be informed of the reasons for such delays. Your Committee also recommends that consideration should be given to the possibility of amending the law so as to expedite condemnation proceedings in the courts. Whether this is practical or not we are not at present prepared to say.

Finally, the practice of including the entire interest charges from the date of taking title as a part of the capital outlay to be financed out of corporate stock should be discontinued in all those instances in which a condemnation award is made final after the date when the project for which the land was acquired is actually completed and in use. The interest from that date is nothing more nor less than Debt Service. As such it should be met by a tax appropriation.

SALARIES

The city is greatly in need of a new schedule or code of titles, grades, and salaries in the civil service. In the preparation and adoption of such a schedule, however, it should be clearly understood—and the understanding should be given wide publicity among municipal employees—that it is not proposed to reduce the present salary of any official or employee. That is indispensable. The spirit of the service should not be disturbed by the fear of salary reductions.

As soon as may be practicable, the Departments should be required to submit to the Civil Service Commission a description of the duties of all existing positions. When the Commission has completed a survey of these data it should prepare the schedule or code of titles and grades. The Commission should have complete authority to fix the titles of all positions within its jurisdiction, including the titles of civil service appointees under the Board of Education. If any Department wishes a new title or grade to be established, the Department should submit to the Commission a detailed description of the duties of the new position. The Commission should thereupon determine whether an existing title is applicable or a new title should be established and incorporated in the schedule. This schedule should be kept up to date and should be republished annually.

The Director of the Budget should be required to make recommendations in respect of the minimum, maximum, and intermediate rates of pay for every position provided for in the schedule. The Board of Estimate should revise these recommendations, if need be, and submit its own recommendations to the

Board of Aldermen. The Board of Aldermen should thereupon fix the rates of pay.

The State Civil Service Commission should be asked to cooperate with the Municipal Commission in the preparation of a similar schedule of titles and grades applicable to the county positions, which are under the jurisdiction of the State Commission. It is important that all salaries paid from city funds should be established as near as possible upon the principle of equal pay for equal work.

Your Committee is persuaded that in the frequent salary increases during the last decade there has been a tendency to overlook important employees who occupy supervisory or technical positions. These are extremely valuable employees and an effort should be made to give them salaries commensurate with their training, experience, and responsibilities.

PURCHASING

The Department of Purchasing should be given the power to make purchases under favorable market conditions in anticipation of subsequent needs of the several departments. For this purpose a revolving fund should be created by tax appropriation. When supplies which have been purchased out of this fund are issued to any department, the fund would be reimbursed out of that department's appropriation for such supplies. It might, indeed, be desirable to make all appropriations for supplies and standard equipment subject to disbursement by the Department of Purchasing, rather than the consuming units.

The purchase of supplies and equipment for the offices of the Borough Presidents and for the county governments should unquestionably be given to the Department of Purchasing. We recommend also a more generous appropriation for the expansion of the testing and inspectional work of the Department and for the periodic revision of standard specifications. The Department should have larger power than at present to accept or reject deliveries.

PROPERTY ACCOUNTABILITY

The manner in which the enormous quantity of movable property belonging to the city is now cared for leaves much to be desired. There should be established in each department a property accountability officer. He should have general control over, and be responsible for, all equipment and supplies in the various bureaus and divisions. In each of these there should be an officer charged with responsibility for the care and upkeep of office equipment and for the dispensing of supplies. These subordinate officers would be responsible to the accountability officer of the department. It is not believed that this plan would add materially to the burden of any clerk. It would, on the other hand, impose a definite responsibility upon particular officers and employees for the loss, theft, misuse, or neglect of city property.

There should also be established a system for the condemnation of property declared to be unfit for the use of any particular department or office. Such condemnation should be made only with the approval of the property accountability officer of the department and a representative of the Director of the Budget. Property that is unfit for one service may often be profitably transferred for use by another department or service. Such a system would be of great assistance to the Director of the Budget in passing upon requests for equipment. Such equipment might be furnished by a transfer of property from some other department, rather than by a budgetary appropriation. Especially, however, would such a system eliminate the possibility of a department's securing an appropriation for the replacement of property declared to be unfit when such property, though supposedly useless, is retained by the department and passed on to be used by some subordinate. This applies particularly to automobiles.

B. THE REVENUE PROBLEM

PROBABLE FUTURE FINANCIAL NEEDS

To estimate the financial needs of the city in the years immediately ahead is an extraordinarily difficult task. Without such an estimate, however, intelligent consideration of the revenue problem is impossible. There is at present no Capital Outlay Programme even for a single year ahead, to say nothing of any comprehensive, long-time financial plan over a series of years. It is true that certain departments prepare construction programmes that carry well into the future, but these are exceptional. Most of the data, therefore, which your Committee here presents as indicative of the probable future financial needs of the city, are unofficial. No official estimates exist.

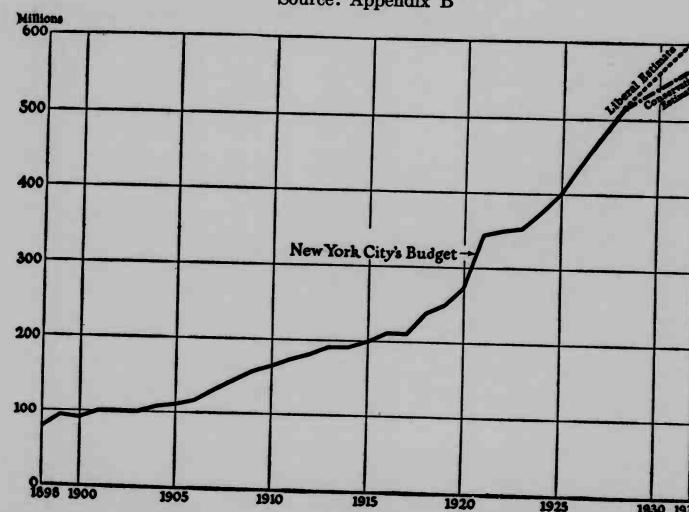
Estimate Based on Recent Budget Growth.—One approach to the problem of formulating an estimate is through a study of the growth of expenditures in the recent past. Diagram I consists of a curve depicting the course of the city budgets since consolidation.¹ The budget has doubled since 1919, it has tripled since 1910. The average annual increase during the last five years has been 31.9 millions; during the last ten years, 27.4 millions. On the basis of such figures one would conclude that during the next five years the average annual increase may logically be expected to be approximately 30 millions.

Such an estimate, however, rests upon the assumption that future budgets will increase at about the same rate as past budgets. This is not an unreasonable assumption unless it can be foreseen that the budget will be called upon to carry in the immediate future expenditures that will probably bulk much larger or much smaller than corresponding expenditures in the past. At once the question of subway finance arises. To what extent will the

¹ The figures will be found in Appendix B except that for the year 1923. The figure for that year is \$512,528,831.

budget have to meet subway costs? There are in immediate prospect elaborate proposals for water supply, sewage disposal, schools, docks, hospitals, bridges, and certain other public improvements. These must be taken into account. How are they to be financed? What will be their effect upon the budget?

DIAGRAM I
THE GROWTH OF NEW YORK CITY'S BUDGET SINCE CONSOLIDATION
Source: Appendix B



Obviously only a very approximate forecast can be made for the estimates involve guesses concerning decisions which have yet to be made upon broad questions of policy.

From the best available sources your Committee has secured figures bearing upon the probable future requirements of the city for public improvements in the next few years. These figures are presented in Table I.¹ Not all proposed capital outlays are included. It has been assumed that such types of capital outlay as are now customarily included in the tax budget will continue

¹ See also Appendix H.

to be so included. Moreover, no account is taken of such items as the capital outlay for extending water mains into new territory.¹ Presumably such investments will immediately become revenue producing and self-sustaining.

TABLE I

ESTIMATES OF CONSTRUCTION PROJECTS TO BE FINANCED OTHERWISE THAN BY
CURRENT BUDGET APPROPRIATIONS 1928-1932^a
(In Millions of Dollars)

	1928	1929	1930	1931	1932	Total	After 1932
A. Projects to be financed by the issuance of securities with terms of two years or more ^b							
Rapid Transit:							
Existing subways and independent system (Includes new municipal subways and extensions under Contracts 3 and 4)	100	100	100	100	100	500	?
Schools—Sites and construction of—	35	22.5	22.5	22.5	22.5	125	?
Docks—Acquisition of land and construction of	8.5	7.	4.575	4.	4.	28.075	?
Jamaica Bay Improvement							
Gravesend Bay Improvement	4.5	4.5	3.75	1.5	.75	15.	?
Incinerators	6.34	4.4	3.	3.5	2.	19.24	?
Hospitals							
Public Improvements (to be financed by assessment bonds and long-term bonds)							
Riverside Drive Improvement							
West Side Express Highway							
Large park acquisitions	10.	10.	10.	10.	10.	50.	?
Queens Boulevard, Construction of							
Nassau Boulevard, Construction of							
Rockaway Boardwalk, Construction of							
Northern Boulevard, Construction of							
Reconstruction of sewer system, lower New York							
Allen Street widening							
Grade crossing elimination							
11th Ave. track removal							
Atlantic Ave. grade crossing	2.	2.	2.	2.	2.	10.	?
Springfield-St. Albans eliminations							
Rockaway Park-Arverne eliminations							
Corona crossing eliminations							
Richmond Borough eliminations							
Housing projects	?	?	?	?	?	?	?
Hunter College, Construction of	2.	2.	1.	0	0	5.	0
American Museum of Natural History—New Wing	0	0	2.	0	0	2.	0
New City Court	3.	0	0	0	0	3.	0
Total—Estimated corporate stock and long-term bond requests	171.34 +	152.4 +	148.825 +	143.5 +	141.25 +	757.315 +	?

¹ The amounts of this item are estimated as follows: 1928, 6 millions; 1929, 5 millions; 1930, 1931, and 1932, 4 millions annually.

TABLE I—Continued

	1928	1929	1930	1931	1932	Total	After 1932
B. Bridge and tunnel projects, method of financing to be determined by the Legislature ^d							
Tri-Borough Bridge	2.	8.	8.	7.	5.	30.	18.
38th Street Vehicular Tunnel	2.	10.	15.	10.	5.	42.	
Henry Hudson Memorial Bridge	0	1.	3.	4.	4.	12.	
Brooklyn and Richmond Tunnel (or bridge)	?	?	?	?	?	?	
Queensborough Bridge (new roadway)	2.5	.5	0	0	0	3.	
Manhattan Bridge (new roadway)	.8	0	0	0	0	.8	
New Bridge-Harlem River (East of Ship Canal)	0	1.5	.5	0	0	2.	
Eighth Street Bridge over East River	0	1.	10.	10.	10.	31.	
177th Street Bridge over Harlem River	0	1.5	1.5	0	0	3.	
Washington Bridge Extension	0	0	1.	0	0	1.	
Ferry Point Bridge over Sound	0	0	0	2.	10.	12.	28.
86th Street Bridge over East River	0	0	0	2.	10.	12.	13.
New East River Bridge to Brooklyn	0	0	0	2.	10.	12.	48.
Rockaway Bridge over Jamaica Bay	0	0	0	2.	10.	12.	
Harway Ave., Stillwell Ave., and small bridges—Replacements	0	3.	3.	3.	3.	12.	
Total—Bridges and tunnels	7.3 +	26.5 +	43. +	41. +	58. +	175.8 +	107 +
C. Hudson, Harlem and East Rivers—pollution—sewage disposal plants. Financial plan undetermined ^e	1.	5.	5.	5.	5.	21.	50?
D. New Water Supply ^f	2.	6	15	35	50	108	240 to 260
Total (A + B + C + D)	181.64 +	189.9 +	211.825 +	224.5 +	254.25 +	1062.115 +	367

NOTES TO TABLE—

^a These estimates are based upon information furnished by an Examiner for the Board of Estimate and Apportionment and upon data in Appendix H of the report of this committee. It should be noted that the figures represent anticipated authorizations for the issuance of securities and not estimates of cash payments to be made.

^b The original tabulation carried as the heading for this group "Estimated corporate stock (and long-term bond) requests." In addition to corporate stock, the plan of financing calls in some instances for the use of assessment bonds and serial bonds.

^c The figures represent estimated authorizations for the issuance of bonds for the new municipal subways now under construction and for extensions under contracts 3 and 4.

^d These projects are now or will be in the near future before the Board of Estimate and Apportionment for approval. Further legislation will be required to permit them to be financed through the medium of long-term bonds.

^e This item is separately stated because of the probability that it will be financed by special assessments.

^f This item is presumably self-supporting, but the interest on the bonds during the course of the construction of the new project is carried by the budget and is not capitalized.

The figures in this table represent anticipated requests for the issuance of securities. They do not, of course, represent proposed payments out of tax funds. On the basis of these figures, however, it is possible to estimate the budgetary charges for Debt Service that will result from the issuance of securities.

Needless to say, these figures do not constitute an attempt on the part of your Committee to formulate a definite Capital Outlay Programme for the city. That would have involved an analysis and appraisal of the various projects now tentatively put forward and a consideration of their relative importance. Your Committee feels neither competent nor called upon to render judgments of this kind. No doubt some of the projects listed in the table will not be carried out. Undoubtedly other projects not there mentioned will be found to be imperatively needed. On the whole, however, your Committee believes that during the next five years there will be great pressure upon the city to finance a programme of approximately the proportions indicated.

The classification of the items in Table I is made on the basis of the probable method of financing. Group A includes those projects which, under present legislative authority, may be financed by long-term bonds and amortized by annual budget appropriations. As the law now stands the projects in Group B must be financed under the pay-as-you-go policy—that is, by tax appropriations. Presumably, however, authority will be sought from the legislature to finance these enterprises by the issuance of long-term bonds. The sewage disposal item is classed separately under C because of the tentative proposal to finance this project by special assessments. Class D, the project for a new water supply, will, it may be hoped, be self-supporting after completion. It will, however, constitute a charge upon the annual tax budget for Debt Service during a long period of construction.¹

In considering the effect upon the budget of the figures set forth in Table I attention will first be directed to the items for projects

¹ This at least has been the former practice in the case of construction for water supply. An alternative scheme of tapping the tributaries of the Delaware River calls for slightly greater authorization than those indicated in the Table during the first five years and for a substantially smaller aggregate cost. The figures are as follows:

1928.....	3 millions
1929.....	10 millions
1930.....	20 millions
1931.....	40 millions
1932.....	45 millions
Total.....	118 millions
After 1932.....	155 millions
Total.....	273 millions

other than subway construction. Thereafter the overwhelmingly important question of subway finance will be discussed.

Public Improvements Excluding Subways—Budget Effect.—The items of Table I for projects other than subway construction are aggregated in Table II. This shows that if the programme of public improvements represented by these items is completely carried out, and if it is financed entirely by fifty-year bonds (which would reduce the annual budget charge to a minimum), it would require an average increase in the city's debt of 112.4 million dollars each year.¹ The annual increase in the budget allowance for interest and amortization would be 5.6 million dollars. These annual increases are of course cumulative. In the budget of the fifth year the increase for interest and amortization would require a debt service appropriation of approximately 28 millions chargeable to these enterprises.

TABLE II

ESTIMATES OF AGGREGATE COSTS AND ANNUAL INCREASES IN CHARGES ON BUDGET FOR THEIR DEBT SERVICE OF PROJECTS (OTHER THAN SUBWAYS) TO BE FINANCED PRESUMABLY BY BOND ISSUES, 1928-1929.

(In Millions of Dollars)

	ESTIMATES OF COST	APPROXIMATE INTEREST AND AMORTIZATION
1928.....	81.6	4.1
1929.....	89.9	4.5
1930.....	111.8	5.6
1931.....	124.5	6.2
1932.....	154.3	7.7
TOTAL.....	562.1	28.1
AVERAGE.....	112.4	5.6

As we have already pointed out, if budget increases over a period of recent years be taken as a criterion it may reasonably be expected that future budgets will mount annually by approximately 25 to 30 millions. The figures just given indicate that an increase of from 5 to 6 millions annually will probably be required for Debt Service for public improvements other than sub-

¹ If the sewage disposal project should be financed by special assessments the quoted figures would be reduced perhaps 5 per cent.

ways. With the continued growth of the city the ordinary current expenses for practically every department will necessarily expand. Upon the most conservative of estimates, based upon the assumption of rigid economy, your Committee is of the opinion that the annual increase in the budget for purposes other than subway construction cannot possibly be less than 15 millions. Indeed the probable annual increase seems more likely to be 25 millions.

Subway Finance—Budget Effect.—At the present time the budget carries very substantial items referable to subway construction. In the 1928 budget the Debt Service for interest on account of old subway construction is 11.35 millions. To this must be added 2.8 millions for subway sinking fund instalments.¹ There is also an item of 5.75 millions for interest on corporate stock and corporate stock notes issued during the present period of new construction,² and a further item of 13 millions for amortization of corporate stock maturing in 1929, 1930 and 1931.

Almost all of the cost of the preparation of plans and supervision of the old subways, as well as all the interest during the period of construction, was capitalized and converted into long-term bonds. As heretofore mentioned a different policy is now pursued. The 1928 budget carries an item of 6 millions for the expenses of the engineering and administrative staff of the Board of Transportation.³

It thus appears that the 1928 budget contains a burden of approximately 14 millions attributable to the old subways and nearly 25 millions chargeable to the new system—a total of 39 millions. On the 1928 assessment base this represents approximately 24 points in the tax rate.

At the time of writing it seems probable that the plan for financing subways which was presented by the Board of Transportation and approved by the Board of Estimate in 1927 will be carried out in some modified form.⁴ This plan proposes to draw

¹ It is impossible to divide this appropriation between old and new subway securities.

² In the 1927 budget this item was 3.785 millions.

³ In the 1927 budget the item was 5 millions.

⁴ *Communication from the Board of Transportation to the Board of Estimate and Apportionment of the City of New York, July 12, 1927.*

from the tax budgets of the next few years sufficient sums to liquidate more than half of the capital cost of the new subway system. In form the budget appropriations are for interest and amortization of short-term bonds issued to supply funds for capital outlay. In what follows your Committee has used as a basis for analysis the estimates made in this Report of the Board of Transportation.

These estimates are of great interest. They project into the future the course of assessed valuations which determine the debt limit and the additional revenues to be expected from the general property tax. The Report is focused on the problem of subway financing, but it provides the only official and the most comprehensive outline of the fiscal problem which confronts the City. The assumptions of the Report raise important questions as to whether it is proposed to take for transit purposes so large a portion of increased revenues that expenditures for other necessary purposes will be unduly curtailed, and as to whether the city should modify its policy of issuing the bulk of its obligations for terms of fifty years.

The original proposals of the Board of Transportation may be briefly set forth as follows:

- (1) that the tax rate be stabilized at 2.66 (the 1927 rate);
- (2) that approximately half of the increased revenue which is expected from the application of this rate to the growing tax base be made available for new subways;
- (3) that 62 per cent. of the construction expenses for subways be met in the first instance by the proceeds of the issue of short-term paper or callable bonds to the amount of 418 millions,¹ and that the proposed budgetary contributions be used to carry this paper and to amortize it.

The figures of the Board of Transportation which are pertinent to our discussion here are "moderately estimated for five years as follows:"²

¹ Three-, four- and five-year bonds in the amount of 310 millions and 50-year bonds redeemable on call after five years in the amount of 108 millions.

² *Cf. Communication from the Board of Transportation, July 12, 1927, p. 24.*

March 1st	Estimated Annual Increase in Tax- able Valuations	Increase in City Revenue at 2.66 Tax Rate	Available for Increase in Budget for General Expense	Available for New Rapid Transit Projects
*1927	\$1,581,000,000	.....	.....	\$10,000,000
*1928	800,000,000	\$21,280,000	\$11,280,000	10,000,000
1929	800,000,000	21,280,000	10,280,000	11,000,000
1930	800,000,000	21,280,000	10,280,000	11,000,000
1931	800,000,000	21,280,000	10,280,000	11,000,000
1932	1,800,000,000	47,880,000	24,880,000	23,000,000
Available every year after five years without increasing the tax rate				\$76,000,000

*Note: There will be available for the budget to be adopted in October, 1927, the sum of \$10,000,000 included in the budget of 1926 to provide for arrearages, and an additional \$10,000,000 to be gained from increase of taxable valuations to be adopted in October and confirmed next February, or a total of \$20,000,000 available in the next budget for interest and authorization of new short-term bonds. The amount of increased valuations will be approximately known in October when the budget is adopted.

In accordance with this plan, an appropriation of 20 millions for Debt Service on short-term paper was requested in the budget of 1928. Before the budget was adopted, however, modifications were made which resulted in a reduction of the request to 13 millions.¹ The inclusion of this item without certification by the Comptroller was contested in the courts, but was finally sustained by the Court of Appeals.

As events proved, the increase in the assessment base for 1928 was far greater than was anticipated. The increase in city revenue with the rate of 2.66 was estimated to be sufficient to grant the request of the Board of Transportation for 13 millions and to cover increased expenditures for other city purposes to the extent of 24.6 millions. This latter figure was more than twice what the Board of Transportation estimated (11.28 millions) would be available.

¹ Modifications were made in the short-term paper which was offered at this time. It was also shown that a part of the request was rendered superfluous by the inclusion in the general budget appropriation for interest, of a part of the sum asked for. The item of interest on paper issued on account of the independent subway system is \$5,750,000 in the 1928 budget as compared with \$3,785,000 in the 1927 budget.

PROBABLE FUTURE COURSE OF ASSESSED VALUATIONS

The plan of the Department of Transportation is based on definite estimates regarding the future course of assessed valuations. It is assumed that the tax base will increase by 800 millions each year until 1932, when in addition to this normal annual increase

TABLE III
ASSESSED VALUE AND FULL VALUE OF TAXABLE REAL ESTATE, 1898-1928

	Assessed Value of Taxable Real Estate in Millions ¹	Annual Increase in Assessed Values of Taxa- ble Real Estate in Millions	Assessed Value of Taxable Land in Millions	Assessed Value of New Build- ings Exempt until 1932 in Millions	Full Value of Taxable Real Estate in Millions
1898	2,533.7				3339
1899	2,932.4	398.7			4312
1900	3,168.5	236.1			4660
1901	3,237.8	69.3			4762
1902	3,330.6	92.8			4899
1903	4,751.5	1,420.9			5384
1904	5,015.5	264.0			5635
1905	5,221.6	206.1	3,740.1		5867
1906	5,738.5	516.9	4,082.6		6446
1907	6,240.5	502.0	4,325.1		7011
1908	6,722.4	481.9	4,666.3		7553
1909	6,807.2	84.8	3,915.6		7648
1910	7,044.2	237.0	4,033.7		7915
1911	7,858.8	814.6	4,642.2		8636
1912	7,861.9	3.1	4,650.9		8640
1913	8,006.6	144.7	4,683.5		8799
1914	8,049.9	43.3	4,699.9		8750
1915	8,109.8	59.9	4,745.0		8721
1916	8,207.8	98.0	4,717.2		8826
1917	8,254.5	46.7	4,670.2		8876
1918	8,339.6	85.1	4,660.0		8872
1919	8,428.3	88.7	4,665.3		8966
1920	8,626.2	197.9	4,722.8		9177
1921	9,973.0	1,346.8	5,044.0		10610
1922	10,250.0	277.0	3,099.9		11142
1923	10,596.1	346.1	5,210.2	248.	11909
1924	11,148.8	552.7	5,443.0	482.	12119
1925	11,901.3	752.5	5,695.8	804.	12938
1926	12,997.6	1,096.3	6,213.3	896.	14128
1927	14,539.8	1,542.2	7,139.5	917.	15804
1928	15,845.5	1,305.7	7,748.3 ²	916.	17038

¹ Includes Real Estate of corporations and special franchises.

² Preliminary figure.

"the expiration of the exemptions granted under the emergency housing laws will add more than one billion dollars of now exempt property to the tax roll of 1932."¹

The figures of Table III give the assessed value and the full value of real estate in New York from 1898 to 1928. These figures show that in recent years assessments have been increasing at an unprecedented rate. The main cause for this is almost certainly due to extensive new construction attributable to the undersupply of buildings during the years of the war. They show also that assessment increases have been due more largely to building than to land values. In 1905 land values made up approximately three-fourths of the assessment rolls. Today they are slightly less than one-half.

The question arises whether the abnormal stimulus to building that followed the starved years of the war is about to disappear.

It is true that for the last eight years² (1921 to 1928) the average annual increment has been approximately 900 millions. In the preceding seven years (1914 to 1920) the average increment was only 90 millions a year. In the more normal period antedating the war (1907 to 1913) assessments showed an average increase of 325 millions per year. Increments of over 800 millions have been recorded only six times since the date of consolidation (1898).

The extraordinarily large increase in the assessments of 1928 undoubtedly strengthens the proposal of the Board of Transportation. It may be, however, that this large increase will be offset by extraordinarily small increases in the next few succeeding years. This will almost certainly result if there is a big slump in building. What the future may disclose in this respect is almost anybody's guess. On the whole, however, your Committee is of the opinion that, despite the increase of 1928, the estimates of the Board of Transportation do not err in the direction of conservatism.

¹ *Communication from Board of Transportation*, July 12, 1927, p. 24.

² This was a period of abnormally high prices for building materials and high costs for construction work. This accounts in part for the high value placed upon the volume of new building. Should general prices decrease, it is quite possible that, the buildings erected while such high prices prevailed would have to be revalued on a lower basis.

This is especially true in the matter of the item of 1,000 millions which the Board estimates will be added to the rolls in 1932 as a result of new construction which down to that date is by law exempt from taxation. The figure as shown in Table III now stands at 916 millions, having declined slightly since 1927. It will clearly not be possible to add the full present value of these exempt buildings to the rolls in 1932 because of the depreciation which will have accrued by that date. A large part of the 916 millions consists of buildings of very flimsy construction. The value of such buildings decreases rapidly with the passing years. At the expiration of the exempt period the owners can be depended upon to protest vigorously against valuations in excess of true values. For these reasons we estimate that instead of 1,000 millions the city may count itself fortunate if it succeeds in adding as much as 600 millions in 1932.

ADEQUACY OF THE PROPERTY TAX TO SOLVE THE REVENUE PROBLEM

In spite of these possible criticisms of the estimates of the Board of Transportation we have in Tables IV and V accepted such estimates as the basis of the calculated yield of the general property tax. In addition, unofficial estimates were secured from the office of the Secretary of the Board of Estimate of the probable increases in the General Fund.¹ In these tables it is assumed that no change will take place in the assessments of personal property and that the present assessment policy in respect of the relation between market value and full value will also remain unchanged.²

¹ There is in prospect an increase in the school fund which would swell the amounts received from the state by approximately 10 millions in the next three years. No account is taken of this in our estimates because it is assumed that it will all be needed for the expanding costs of the school system.

² If the assessments were made at 100 per cent. of the market value, it would be possible to add about 1,500 millions to the tax rolls.

TABLE IV

ESTIMATES OF THE YIELD OF A 2.66 TAX RATE AND THE AMOUNTS NECESSARY TO BE RAISED FROM REVENUES OTHER THAN THE GENERAL PROPERTY TAX IF THE PROPOSED SUBWAY PLAN IS ADOPTED.

(Millions)

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
	Assessed Value of General Property (See Schedule A)	Tax Rate Assumed to be Fixed at 2.66%	Tax Levied on General Property (1) x (2)	Additional Income from the General Fund (Estimated) ^a	Total Budget Possible Under These Conditions (3) + (4)	Budget Required to Meet General Expenses of 1928 Level and Subway Programme (Schedule B)	Resulting Surplus or Deficit (5) - (6)	Budget Required to Meet Subway Programme and Annual Increase of 15 Million in General Expenses (Schedule C)	Resulting Deficit (5) - (8)
1928	\$16,154	2.66	\$429.7	\$82.8	\$512.5	\$512.5	\$.0	\$512.5	\$.0
1929	16,828	2.66	447.6	85.8	533.4	527.5	5.9 ^a	542.5	9.1 ^d
1930	17,501	2.66	465.5	88.8	554.3	541.5	12.8 ^a	571.5	17.2 ^d
1931	18,175	2.66	483.5	91.8	575.3	554.5	20.8 ^a	599.5	24.2 ^d
1932	19,848	2.66	528.0	94.8	622.8	573.5	49.3 ^a	633.5	10.7 ^d

TABLE V

ESTIMATES OF THE YIELD OF A 2.75 TAX RATE AFTER 1928 AND THE AMOUNTS NECESSARY TO BE RAISED FROM REVENUES OTHER THAN THE GENERAL PROPERTY TAX IF PROPOSED SUBWAY PLAN IS ADOPTED.

(Millions)

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
	Assessed Value of General Property (See Schedule A)	Tax Rate Assumed to Remain Constant at 2.75%	Tax Levied on General Property (1) x (2)	Additional Income from the General Fund (Estimated) ^a	Total Budget Possible Under These Conditions (3) + (4)	Budget Required to Meet General Expenses of 1928 Level and Subway Programme (See Schedule B)	Resulting Surplus or Deficit (5) - (6)	Budget Required to Meet Subway Programme and Annual Increase of 15 Million in General Expenses (Schedule C)	Resulting Surplus or Deficit (5) - (8)
1928	\$16,154	2.66	\$429.7	\$82.8	\$512.5	\$512.5	\$.0	\$512.5	\$.0
1929	16,828	2.75	462.8	85.8	548.6	527.5	21.1 ^a	542.5	6.1 ^a
1930	17,501	2.75	481.3	88.8	570.1	541.5	28.6 ^a	571.5	1.4 ^d
1931	18,175	2.75	499.8	91.8	591.6	554.5	37.1 ^a	599.5	7.9 ^d
1932	19,848	2.75	545.8	94.8	640.6	573.5	67.1 ^a	633.5	7.1 ^a

a. Estimated conservatively.

s. Surplus available for other purposes.

d. Deficits which would have to be made up by revenues from other sources.

SCHEDULE A

THE METHODS OF ESTIMATING THE VALUE OF TAXABLE PROPERTY IN NEW YORK CITY 1928-1932

(Estimates of Increase in Real Estate Assessments Based upon Estimates of Board of Transportation.)

(Millions)

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
	Assessed Value of Real Estate in N. Y. C. in 1927 ^a	Annual Increases in Assessment of Real Estate over 1927 Level on Basis of Figures Compiled by Board of Transportation ^d					Assessed Value of Personal Property ^a	Total Assessed Value of Taxable Property
		1928	1929	1930	1931	1932		
1928	\$14,540	\$1306					\$308	\$16,154
1929	14,540	1306	\$673.5				308	16,828
1930	14,540	1306	673.5	\$673.5			308	17,501
1931	14,540	1306	673.5	673.5	\$673.5		308	18,175
1932	14,540	1306	673.5	673.5	673.5	\$1,673.5 ^b	308	19,848

a. Including special franchises.

b. Including 1 billion for new buildings exempt until 1932.

c. It is assumed that there will be no increase in the assessment of personal property over the 1928 level.

d. In 1927 the Board of Transportation estimated that the increase in real estate assessments would be 800 millions a year until 1932 when the new buildings exempt until 1932 would add a billion dollars to the tax rolls, making the increment for that year 1800 millions. As the 1928 assessment figure was 1306 millions greater than in the 1927 assessment the difference between the estimated 800 millions and 1306 millions has been spread out over four years to reduce the amounts of the annual increases. The total estimated increase remains the same, namely 5 billions from 1927 to 1932.

SCHEDULE B

ESTIMATED BUDGETS REQUIRED TO MEET 1928 LEVEL OF GENERAL EXPENSES PLUS
SUBWAY PROGRAMME OF THE BOARD OF TRANSPORTATION.

(Millions)

	(1)	(2)	(3)	(4)	(5)	(6)	(7)
	1928 Budget Level Exclusive of New Subway Items ^a	Annual Increases Above 1928 Level to Meet Subway Programme Suggested in the 1927 Report of the Board of Transportation ^b					Total Budget if Subway Expenses only were Allowed to Increase Above 1928 Level as Indicated
		1928	1929	1930	1931	1932	Total
1928	\$497.5	15					15
1929	497.5	15	15				30
1930	497.5	15	15	14			44
1931	497.5	15	15	14	13		57
1932	497.5	15	15	14	13	19	76

a. Arrived at by subtracting from the 512.5 millions, the 13 million item and the 2 million appropriation for interest on new subway paper.

b. The 2 million for 1928 is the interest item (see footnote a). The other figures are those necessary should the 1927 programme of the Board of Transportation be put into effect.

SCHEDULE C

ESTIMATED BUDGETS TO MEET REQUIREMENTS OF AN ANNUAL INCREASE OF 15 MIL-
LIONS IN THE AMOUNT SPENT FOR GENERAL PURPOSES IN ADDITION TO THOSE
NEEDED FOR THE PROPOSED SUBWAY PROGRAMME OF THE BOARD OF TRANS-
PORTATION.

(Millions)

	(1)	(2)	(3)	(4)	(5)	(6)
	Total from Schedule B Assumed Bud- get Required for New Subways but Allowing for no Other Increased Expenditures	Annual Increases Above 1928 Level to Meet Minimum Estimate of Increases in General Expenses				Total Estimated Budget
		1929	1930	1931	1932	
1928	\$512.5					\$512.5
1929	527.5	15				542.5
1930	541.5	15	15			571.5
1931	554.5	15	15	15		599.5
1932	573.5	15	15	15	15	633.5

Table IV assumes:

(1) appropriations to finance subway construction equal to the sums called for by the plan of the Board of Transportation (see Schedule B).

(2) a minimum increase in the tax budget for general expenses of 15 millions annually (see Schedule C).

(3) increases in assessed values in accordance with the estimates of the Board of Transportation (see Schedule A).

(4) a fixed tax rate of 2.66.

With these assumptions the figures in Table IV show that additional revenues will have to be found in the following amounts:

1929.....	9.1 millions
1930.....	17.2 millions
1931.....	24.2 millions
1932.....	10.7 millions
Total.....	61.2 millions

Table V contains precisely the same assumptions as Table IV, with the exception that the tax rate is figured at 2.75 instead of 2.66. The figures show that with this higher rate additional revenues will not have to be found. Over the four years there will be a net surplus of 3.9 millions (13.2—9.3).

These figures speak for themselves. If the programme of the Board of Transportation is to be carried out and if the conservatively estimated increase of 15 millions a year is to be provided, a tax rate of 2.66 will be inadequate to meet revenue needs. 61.2 millions of additional revenue must be found before 1933. Obviously, therefore, either the tax rate must be forced above 2.66 or additional revenues in substantial amounts must be secured from other sources. This is the only alternative, unless the estimated minimum annual increase of 15 millions for expenses other than subways is scaled further down.

The highest tax rate ever imposed in New York City was the 1921 rate of 2.77. No doubt there would be bitter opposition to an increase in the tax rate above the 1928 level of 2.66. This opposition would come especially from those who question the

wisdom of a policy of subway financing which in effect amounts to defraying a large part of the cost of subway construction out of current revenues. An increase in the tax rate sufficient to meet both the programme of the Board of Transportation and the estimated increase of 15 millions for other purposes would, of course, be possible, even within the constitutional two per cent. tax rate limit.¹ In view, however, of the probable strenuous opposition to any considerable increase of the property tax rate, it seems appropriate to turn at once to consideration of other possible sources of revenue.

POSSIBLE ADDITIONAL SOURCES OF REVENUE

In any search for additional sources of revenue there is available a considerable range of choice. When various types of public revenues are classified according to their underlying theories there stand at one extreme such general taxes as the personal income tax. These are levied upon the principle of ability-to-pay without regard to any special benefit received by the taxpayer. At the other extreme stand what are commonly called prices. Such, for example, are water-charges. In theory these are not even compulsory; they are established on the basis that one will not buy the services offered unless he feels that the special benefit flowing to him justifies the expenditure. However questionable may be the theory of non-compulsion, the reality of the special benefit is indisputable. Between these two extremes lie all the other types of revenue, combining in varying proportions the elements of pure tax and price.

General Considerations.—As bearing upon this subject of possible new sources of revenue, your Committee invites attention to a few general considerations.

(1) Even where a function performed by the city gives rise to traceable special benefits there is often a question as to how far it is desirable to attempt to recover the cost by charges levied upon the direct beneficiaries. In some cases social considerations make it clearly desirable for the city to furnish the services at a price far below cost or for no price at all. Individual estimates of the

¹ In estimating the two per cent. limit there are deductions from the total tax rate.

importance of these considerations differ in each case. There is consequently an opportunity for endless debate among persons with entirely sincere convictions.

(2) It is wholly natural that self interest on the part of those who receive special benefits should prompt them to urge that the cost of the functions which give rise to the benefits be met by the adoption of a taxation rather than a price policy.

(3) There are serious technical difficulties in tracing special benefits with precision. There is probably no governmental function that does not carry with it some benefits of a general nature as contrasted with special benefits. Moreover, with many public services and improvements the total benefit, general and specific, is largely in excess of the cost. In such cases how the cost should be apportioned is a matter for consideration. Again in cases where the improvements affect land values the fairness of attaching costs directly to the land depends largely upon the past policy of the community with respect to such charges. If the people of a community have come to expect and count upon charges of a certain type, such charges tend to become absorbed in the determination of the selling value of the land. Thus a programme which would involve no distress in one city might work out extremely unfairly in another.

(4) The various repercussive effects of the lack of a uniform and definite policy in financing public services must be taken into account. A city which has been financing a given function by means of a general tax and which changes its policy to that of pricing virtually imposes a penalty upon those who must now accept a price basis. For example: where a city has through general taxes been paying the expense of bridges serving a certain section of the city, the adoption of a policy of tolls for new bridges serving a different section of the city may involve injustice to those who are called upon to pay tolls to use the new bridges. The users of the new bridges have paid taxes on the old bridges, but the users of the old bridges will not pay taxes on the new bridges.

(5) There is a general tendency on the part of elected officials to choose taxes rather than prices because it is nearly always politically expedient to refrain from formulating proposals for

services and improvements in definite financial form. If the cost is brought home to the public in the form of a price, there is apt to be much greater opposition to the improvement.

(6) There is a vague but unsound conviction that taxes come from some vast economic surplus from which can be tapped almost without limit the money needed to solve any public financial problem. It is unnecessary to labor this point, but it should be recognized that, as a general proposition, the money which the city collects and uses for public purposes is diverted from the pockets of private individuals who, if not for the tax, would be in a position to utilize it otherwise. The scope of public expenditures can be determined in a sound manner only when one has brought into the picture the "sacrifice cost" of the taxpayer.

(7) Finally, as public expenditures increase and particularly in times of financial pressure, the tendency appears to be to develop revenues which lie toward the price end of the scale rather than toward the tax end. In general the Committee feels that this is a sound tendency.

Although these general considerations cannot be precisely appraised, they are nevertheless of obvious importance in connection with any quest for new sources of revenue.

The Real-Estate Tax.—Our first consideration is whether it is possible to increase the productivity of the real-estate tax. The general property tax, which is really almost a pure real-estate tax, is now responsible for about 80 per cent. of the total tax revenue of the city. Within the constitutional two per cent. limit it is possible to vary the rate with the needs for revenue. During the period 1914–1921 this rate on real estate increased rapidly—from 1.78 to 2.77. During the past few years it has declined perceptibly—to 2.66 for 1927 and 1928. This history gives little foundation for the conception of a fixed and invariable charge which the city may fairly make upon real-estate values. There is, however, in the community a general conviction that the real-estate tax is, to a very considerable extent at least, shifted to rent-payers, and that, in the case of home-owners, the burden of the tax with assessments at their present level has become so great that it is inadvisable to increase it.

It seems scarcely possible that an increase in the rate on real estate above 2.75 would be attempted. Indeed, as has been said, it would be surprising if it should prove possible to advance the rate beyond 2.66. Furthermore, it must be remembered that a housing policy of exempting new buildings has already been adopted, and the policy of virtual exemption from the land tax in case of certain projects is now contemplated. It has not seemed wise to the Committee to recommend an increase in the rate of the real-estate tax to the point that would be required to meet probable needs.

It should be said, however, that, since the proposed contributions for subway purposes are to be inserted in the budget in the form of Debt Service, the Committee sees no likelihood that the two per cent. constitutional limitation upon the tax rate will prove a serious embarrassment. The Committee has also made calculations which indicate that with the additional authorization of \$300,000,000 provided in the recent amendment of the Constitution, it will be possible to operate without risk of embarrassment from the constitutional ten per cent. debt limit.

The Direct State Tax on Real Estate.—There is a possibility, however, of the city's receiving a larger revenue from real estate without the necessity of a higher total rate. This would be possible if the state could be persuaded to relinquish the share which it now receives from the yield of the property tax. The state now utilizes the direct state tax as a flexible element in its budget. For a number of years, no direct state tax was levied. It was re-introduced at the time of the financial pressure due to the improvements of the Erie Canal, and has been imposed annually in varying amounts since 1911. In spite of variations from year to year, the state may now be said to have established this as a more or less regular source of revenue to the extent of approximately 25 millions annually. Of this amount about 58 per cent. is received from New York City. The contribution of the city in the form of direct state tax on property was in 1926 \$17,564,000, in 1927 \$12,622,000. In the state's financial system this tax performs the useful function of providing a variable and elastic element which can be conveniently used for balancing the budget.

If there is on this account serious objection to resigning the tax entirely, it would still be possible to decrease its amount. The state could secure the amount of this decrease from other sources. Under such a plan the contribution of New York City might be reduced by 10 millions a year. Such generosity on the part of the state might serve in any one year to assist New York City in balancing its budget. The appropriations of the state, however, are growing. An elastic item is necessary. There should, therefore, be no excessive optimism that the city will benefit heavily from this source of revenue.

When one examines the possibilities of increasing revenues from sources other than the property tax he is impressed by the relatively favorable situation in which the state, as compared with the city, finds itself. Practically all of the taxes of this character which can be developed advantageously are taxes which necessarily involve statewide application and administration. For example, a municipal personal income tax or business income tax, or gasoline tax, could not be introduced with any expectation of successful administration. It would be possible to develop further the policy which the state now follows of collecting certain taxes and sharing the revenues with the localities on some more or less arbitrary basis. Your Committee feels, however, that this policy should not be resorted to so long as it is possible to solve the problem by leaving to the cities the whole or a considerable part of the state's tax on real estate, which carries with it no problem of allocation of yield. It is unnecessary to suggest the specific forms of taxation which the state could utilize to counterbalance the loss it would suffer by relinquishing in whole or in large part the direct state tax. It is sufficient to point out that in the various reports of the Joint Legislative Committee on Taxation and Retrenchment as well as in the report of the Friedsam Commission this problem is discussed at length and several fruitful possibilities are outlined.

It should be pointed out that the city's contribution to the state through this direct tax on property falls outside the constitutional two per cent. limitation. If the state withdrew, the city could use only that part of the former state levy that could be

brought within the two per cent. limit. It might be the whole, but it might be only a fraction.

Special Assessments.—Special assessments have been common in New York City for many years and have undoubtedly been accompanied by grave abuses at certain periods in its history. At the present time there is no settled policy in force as to the character of the improvements which are financed by special assessments. There is likewise no settled policy as to the percentages of cost to be borne by the property in the immediate vicinity of the improvement, by the real estate of the borough as a whole, and by the real estate of the city in general. It is the practice to pay by this method for the cost of acquiring land for streets and for original street improvements such as grading, curbing, paving, and flagging. The cost is charged to the property in the immediate vicinity, except where the street or boulevard is clearly of more than local significance. It is not the practice in New York City, as it is in many other places, to meet the costs of repaving or of various services such as street cleaning, street lighting, etc., by the special assessment method.

The present unsettled policy with regard to the share of the costs to be borne by specially benefitted property owners as compared with the portion to be met by borough-wide or city-wide assessments, constitutes a standing invitation to whittle down the special assessment system. City officials are under a constant pressure to absorb a larger and larger portion of the costs of public improvements into the general budget. It is difficult to over-emphasize the importance of definiteness in the announced policy of the city with respect to special assessments. If it were clearly understood by all that the costs of certain types of improvements would be attached directly to the land in the area of benefit, the use of the special assessment method could be widely extended without involving distress to property owners. Moreover, there is much to be said for the use of the method from the point of view of the control which is automatically exercised over the scope and character of the programme of public improvements. Provided there is adequate provision for the registration of protests, there is little danger, under a special assessment system, that public

improvements that are not really desired or are premature will be carried through. The Committee favors the establishment of a policy of financing by special assessments all street improvements including repaving, except in so far as these costs can more fairly be met by a system of pricing or with revenues raised by taxes, such as the gasoline tax, which is itself an approximation of the pricing method. At present the policy with respect to the financing of sewers is highly indefinite. The Committee considers the special assessment method well adapted to this type of improvement.

The method of financing plants for sewage disposal has not yet been definitely determined. The Committee urges the desirability of using the special assessment method for these projects. We are of the opinion also that the possibility of financing various services connected with the care of the streets by special assessments might be profitably canvassed. The cleaning of streets, the care of park strips, etc., are in many cities successfully financed in this way.

The Committee regards it as unfortunate that all efforts seem to have been abandoned to utilize special assessments in connection with subways. It is true that the effects of subways upon land values are exceedingly complex. The precise limits within which special assessments may be soundly used are not known. Nevertheless the Committee feels that the location of new subway lines and particularly the location of stations result in an entirely fortuitous gain to the owners of certain pieces of real estate. This gain might be recovered through the adoption of the special assessment method. Substantial contributions toward subway costs could be obtained in this manner. The adoption of this policy within the restricted scope indicated would avoid some criticisms from the point of view of the policy followed in the past with reference to the old subways.

In making this recommendation the Committee is not of course suggesting the recapture of the entire increase of values along the line of the new subways. Such increase may be traceable in considerable part to the general development of the city. We refer rather to the possibility of recovering at least a part of the rich

profit which because of location decisions accrues to certain particularly favorably located plots.

Furthermore the Committee believes it would be possible to work out a plan (which would have certain advantages over the method of paying in considerable part for subways out of the general budget) whereby a portion of the funds needed would be obtained from a tax falling upon land values alone rather than upon real estate in general including the value of improvements. A modification of the present borough-wide and city-wide assessments could easily be made so as to bring about this result.

The Pricing of City Services.—The City of New York has an income of twenty-five millions a year from the earnings of public service enterprises. These include the water supply, municipal ferries, and municipal railways and trolleys. Approximately 5 per cent. of the total income of the city comes from these sources. In 1915 public service earnings represented 6.5 per cent. of the city's income.

Percentages of income for services rendered by American cities are not easy to calculate. Different accounting methods are in use. The United States Census figures list Detroit and Los Angeles as deriving the greatest revenues from this source—26.6 and 17.1 per cent., respectively. New York, according to these figures, derives 7.1 per cent. Of the large cities only Chicago, Philadelphia, Boston, and Pittsburgh have lower percentages. A discussion of these matters will be found below.¹

It is a cause for regret that the accounting methods now used by the Department of Finance do not reveal more clearly the extent to which the prices charged for various city services are adequate to meet the costs of those services. Irrespective of the policy to be followed with respect to pricing it is strongly urged that the accounts of the city be so arranged as to show clearly the extent to which costs of the various departments rendering services are being met from the charges imposed.

Because of differences of opinion in respect of the general benefits attaching to the various services which the city offers, it is

¹ See pp. 132, 161 and 346.

impossible to recommend flatly that all city services should be priced so as to yield a revenue equal to their cost. Generally speaking, except where social considerations are of great importance, city services should be priced so as to meet their costs. But views vary widely as to the importance of the social considerations involved, particularly in respect of such matters as subway fares and ferry and bridge charges.

The Committee recommends that in the case of all inspection services, fees should be charged which would be adequate to cover the expenses involved. As is shown in Appendix L, the present system of charges is wholly indefensible; it stands in great need of revision. The charges in many cases have stood unchanged for decades. They are quite out of relation to the costs of the services and are imposed in such a haphazard manner that some are unduly burdensome and some unduly light. The Committee here repeats the recommendation hereinbefore made that the practice of taking revenues derived from certain of these charges and placing them in special funds be abolished. All revenues of this character should go into the General Fund.

The most important of the services that utilize the pricing method is the water supply. Your Committee found it impossible to ascertain the true situation from the records as now kept. If, when the accounts are restated, it develops that the full costs of supplying water are not being met from the water charges, the rates should be increased to a level that will make this service self-sustaining. There is no reason why water rates, which are widely shared, should not bear the entire cost of the service including that portion chargeable to general public use for street cleaning, fire suppression, and the like. When adequate figures are available, material readjustments will certainly be necessary, for the present scales of charges were determined forty years ago.

It seems obvious that metering is the only method by which charges can be accurately determined and equitably imposed. But because of technical difficulties involved in the universal installation of meters the Committee is not prepared to recommend this step at this time. Where the construction of buildings already erected would prevent the use of meters, it is suggested

that the charges be revised upon the basis of water consumption in similar buildings in which there are meters. It should be possible to base such a revision upon a series of tests of actual consumption where conditions are presumably similar. Such tests should be made. It is further recommended that plans for new construction be not approved if they do not call for an arrangement of water lines that will permit the installation of meters without great expense. The general policy should be to fix rates as equitably as possible without involving disproportionate expense through the remodeling of plumbing or the use of an inordinately large number of meters.

Licenses.—Attention is called to the material in Appendix L describing the present system of licenses. The Committee does not approve of the development of an elaborate system of licenses for the purpose of providing a large net revenue. Nevertheless the present license charges stand in serious need of revision. They should be examined in detail with a view to making them consistent with one another and in general adequate to meet the costs of any special facilities furnished to the licensees.

Gasoline Tax.—Mention has been made above of the possible utilization in connection with the system of special assessments of certain types of taxes that closely approximate prices. For example, in the case of arterial streets the definition of the area of special benefit presents serious problems. Were it not for the insuperable practical difficulties, the principle of the old toll road in the case of city streets would present attractions from the point of view of accurate distribution of costs in proportion to benefit. With the virtually complete motorization of traffic which has come about in recent years, the device of the gasoline tax offers on the whole a satisfactory approximation to the results which might be achieved by a system of tolls. Such a tax would result in a burden being attached to the user of the streets roughly in proportion to the extent of that use. This suggests the desirability of the city's urging the adoption of the gasoline tax. It should, of course be administered by the state; it would be impractical to administer it locally. The legislature should be asked to levy this tax at a rate which would permit the return to the city of a sum suffi-

ciently large to contribute substantially toward the cost of the facilities offered by arterial streets.¹

Tax on Unincorporated Business and Abolition of Personal Property Tax.—If the suggestions heretofore made are not sufficient to meet the city's financial needs and if in consequence it is necessary to turn to general taxation, the proposal which, in the opinion of the Committee, demands first consideration, is the tax on unincorporated business.

As the result of an evolution which has been under way for many years, the old general property tax has been completely changed in character. The property tax has become a real-estate tax; the real-estate tax in turn has become almost exclusively a local tax. In the course of this development the tax has come to be considered less and less as an index of ability to pay, and, more and more as an index of benefits received.

Little by little, property other than real estate has been eliminated from the tax roll. With the introduction of the franchise tax on the income of corporations in 1916 an important part of personal property was excluded. Similarly, with the introduction of the personal income tax in 1918 much of the personal property which was previously liable to taxation according to the letter of the law was legally exempted. Today the remnants of personal property which find their way to the tax roll constitute an insignificant part of the tax base.² They are made up of unrelated odds and ends, the principal items consisting of livestock, certain types of machinery, and the stock in trade of unincorporated businesses. The resulting exemption from taxation of all unincorporated

¹ It is now estimated that a tax of one per cent. per gallon would yield a total revenue of \$10,000,000 per year to the state. Presumably it would be fair to expect that from one-quarter to one-half of this tax would be returned to the localities upon some equitable basis. New York City might get somewhere between one and two millions from this source. New York and Massachusetts are the only states that impose no gasoline tax. In twenty states a portion of the revenue from this source is distributed to the local units of government.

The Friedsam Report (Legislative Document 92, 1926), estimated the yield on the gasoline tax at 7 millions for each one cent per gallon. The rate proposed by the Special Joint Committee on Taxation and Retrenchment in 1926 was two cents per gallon ("The Gasoline Tax," Legislative Document No. 69).

² In 1925 the personal property assessed in New York State amounted to only 1.41 per cent. of the total general property. In 1890 this percentage was 10.12.

business,¹ has been a powerful obstacle to the complete abolition of the personal property tax. As the system of taxation now stands there is the general tax upon real estate, a general tax upon personal income, and a business tax also based on income but restricted in its scope to corporations. It has been suggested many times that a fair business income tax should be as broad as business itself. There is little justification in a business tax that unduly discriminates against the corporation. Obviously the next great steps in the development of the general system of taxation in the state and municipalities should be the complete abolition of the personal property tax and the establishment of a tax on the income of unincorporated businesses comparable to the existing tax on the income of business corporations. The two steps must be taken together. As its first choice among the various general taxes that might be resorted to, your Committee recommends a tax upon the income of unincorporated business. The rate should be sufficiently below the rate imposed upon the income of corporations to compensate as nearly as possible for the advantage which the corporation possesses, as compared with the individual or partnership, due to the privilege of retaining in the business, free from individual surtaxes, its undistributed profits.

Since the present personal property tax is almost entirely a local source of revenue the Committee feels that the city would be justified in urging that the localities be given all of the yield of the proposed new tax on the income of unincorporated businesses. The tax would, of course, have to be levied and collected by the state.

It is now estimated that such a tax on the incomes of unincorporated businesses, with an initial exemption of \$5,000, would yield somewhere between 4 and 5 millions a year for each one per cent. of the levy.² New York City's share of this would

¹ Except as they were reached by taxes upon their real estate and the personal income tax.

² The 1922 Report of the Special Joint Committee on Taxation and Retrenchment (Legislative Document No. 72) contains a draft of a proposed unincorporated business tax law (p. 363 ff.). The rate proposed is three and one-half per cent. Estimates of the yield seem to vary widely. The 1922 Report estimated that 1.75 millions would result from each one per cent. of tax; the 1925 Report of the Special Joint Committee on Taxation and Retrenchment (Legislative Document No. 97) estimated between 3 and 3.5 millions for each per cent., but suggested that owing to

probably be considerably more than one-half, if the distribution were made upon the basis of the location of the business reporting the income.

In 1927 the personal property tax in New York City produced a little less than 2 millions in revenue. The net result of the recommendation that the tax on personal property be eliminated and the tax on unincorporated business be substituted for it, would be that the city would probably gain considerably in its net revenues.

The Proposal for a Tax on Out-of-Town Visitors.—It has been suggested that a promising source of revenue is to be found in some type of tax upon out-of-town visitors levied in some fashion in connection with their hotel bills. There would be objections to such a tax from the hotels who would be called upon to collect it. There are also the objections from business in general against a tax which would in specific form call for a payment from persons visiting the city and spending their money here. On the whole the Committee feels that the revenue which could be obtained at a rate not unduly burdensome would not compensate for the costs of administration and the irritation and nuisance involved in the application of such a tax.

Readjustment of Local Share in Various Statewide Taxes.—Finally, there should be discussed the possibility of readjustments in the shares which the city receives of various state taxes and in the division, between the state and the city, of the responsibility for financing various governmental functions.

The situation regarding the taxes¹ the yield of which is shared between the State and the localities is set forth in Table VI and the accompanying diagram. It will be noted that from 1922 to 1926, New York City's share in such taxes increased from 19 to 29.1 million dollars.

greater evasion a five per cent. tax would probably be only four times as productive as a one per cent. tax (p. 181). The Friedsam Report ("Financing Education in Cities," Legislative Document No. 92, 1926), estimated a yield of 3 millions for each one per cent.

It should be pointed out that the corporation tax rate is now four and one-half per cent. and that if this is not increased the tax on unincorporated businesses should not be higher than three and one-half per cent.

¹ Except for the general property tax, in which a specific levy is made for state purposes, in addition to the local levies.

DIAGRAM II
RELATIONS OF CITY AND STATE FINANCE.

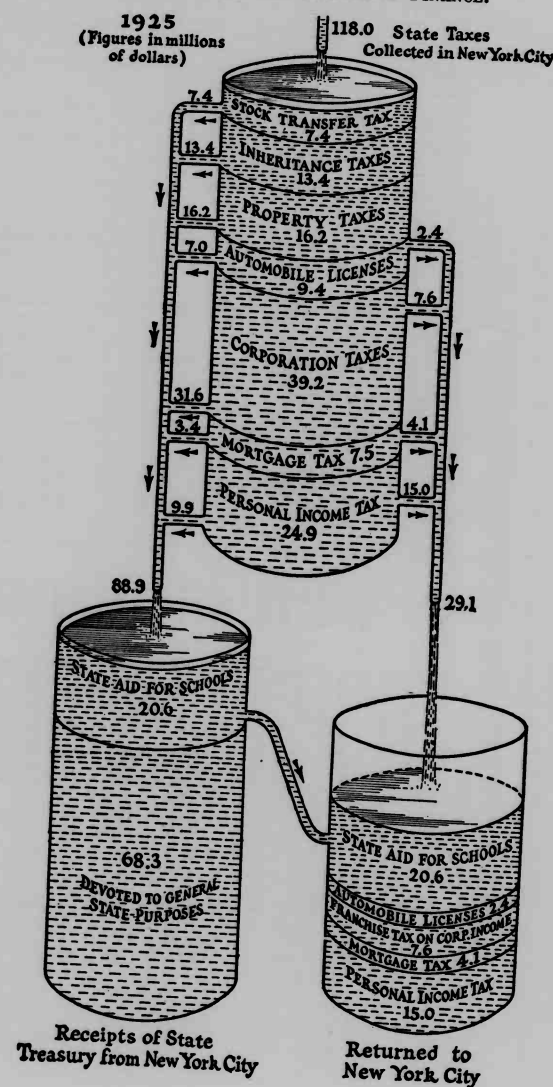


TABLE VI
TAXES OF WHICH THE YIELD IS DIVIDED BETWEEN THE STATE AND THE LOCALITIES. FIGURES REPRESENT TAXES LEVIED IN
CALENDAR YEAR SPECIFIED AND PLACED AT DISPOSAL OF THE VARIOUS JURISDICTIONS.
(Source: Reports of State Tax Commission. In millions of dollars.)

TITLE OF TAX	BASIS FOR DIVISION OF YIELD		YEAR	Share of State	DIVISION OF YIELD SHARE OF LOCALITIES			TOTAL
	State	Localities			New York City	Other Local Units	Total Local Units	
Personal income tax (Tax law Art. 16)	$\frac{1}{2}$ of yield plus remainder ac- cording to as- sessed valua- tions of real estate	$\frac{1}{2}$ of re- mainder ac- cording to as- sessed valua- tions of real estate	1922	15.0	10.0+	4.8-	14.8-	29.8
			1923	18.9+	12.4-	6.5+	18.9+	37.8+
			1924	9.2-b	12.0+	6.3+	18.3+	27.5+
			1925	11.5+b	15.0+	8.1-	23.1-	34.6+
			1926	13.8+	18.2-	9.5-	27.7-	41.5-
			1927					
Franchise tax on income of busi- ness corporations (Tax law Art. 9- A)	$\frac{1}{2}$ of yield plus all inter- est and penal- ties	$\frac{1}{2}$ according to location of tangible per- sonal proper- ty of corpora- tions taxed	1922	21.0	6.2-	4.3+	10.5+	31.6
			1923	15.1-	4.3-	3.3-	7.5+	22.6+
			1924	22.3-	6.3-	4.9-	11.1+	33.4+
			1925	25.0+	7.6-	5.1+	12.7-	38.1-
			1926	24.2-	7.6+	4.4+	12.1-	36.3-
			1927					
Motor vehicle taxes and licenses of operators and chauffeurs (High- way law Arts. 11, 11-A, Sec. 282)	$\frac{3}{4}$ of yield	$\frac{1}{4}$ of yield— according to county of reg- istration	1922	9.6-	1.3-a	1.9-	3.1+	12.7+
			1923	14.9-	1.9+	3.0	4.9+	19.9-
			1924	18.0+	2.1+	3.9+	6.1-	24.1-
			1925	18.9-	2.4+	4.2+	6.6+	25.5+
			1926	21.3-	2.7+	4.8-	7.5-	28.8-
			1927					

Mortgage tax (Tax law, Art. 11)	$\frac{1}{2}$ of yield	$\frac{1}{2}$ of yield ac- cording to lo- cation of prop- erty mort- gaged	1922	3.4	2.3+	1.1+	3.4+	6.9
			1923	4.8-	2.7+	2.0	4.8-	9.6-
			1924	5.0+	3.6+	1.4-	5.0+	10.0+
			1925	6.4+	4.1-	2.4-	6.4+	12.9-
			1926	6.5+	4.7+	1.8+	6.5+	13.0+
			1927					
Licenses of real estate brokers and salesmen (Real property law, Art. 12-A)	$\frac{1}{2}$ of yield	$\frac{1}{2}$ of yield ac- cording to county in which col- lected	1922	0	0	0	0	0
			1923	0.42	0	0	0	0.42
			1924	0.23-	?	?	0.23-	0.46-
			1925	0.30+	?	?	0.30+	0.61-
			1926	0.36+	?	?	0.36+	0.72+
			1927					
Licenses on bil- liard rooms (Pe- nal law, Art. 31)	$\frac{1}{2}$ of yield	$\frac{1}{2}$ of yield ac- cording to county in which col- lected	1922	0	0	0	0	0
			1923	0.03	0?	0?	0?	0.03
			1924	0.015-	?	?	0.015-	0.03
			1925	0.015-	?	?	0.015-	0.03
			1926	0.016-	?	?	0.016-	0.03+
			1927					
Total			1922	49.0	19.0	12.1	31.9	81.0
			1923	54.2	21.3+	14.8+	36.1+?	90.2
			1924	54.7	24.0+	16.5+	40.7	95.5
			1925	62.6	29.1+	19.8-	49.2-	111.7+
			1926	66.2+	33.3-	20.5-	54.1+	120.3+
			1927					

a. Report of State Tax Commission, 1922, pages 108-111. On page 280, the figure of \$1,363,206.25 is also given. It is pos-
sible that motor cycle fees are not included here.

b. The state in these years refrained from collecting one-half of its share.

An attempt has been made by the State Tax Commission to segregate the taxes received by the state according to the localities in which the taxes are paid. This analysis shows that in 1925, the total taxes flowing from the localities to the state amounted to 198.8 million dollars. From this sum the state passed back to the localities, in the form of the taxes shown in the table and in the form of subventions for schools and roads, the sum of 93.3 millions. The state retained 105.5 millions. The excess of collections from New York City over redistributions to New York City amounted to 68.3 millions in 1925.¹ By this test New York may be said to have supplied about 64.7 per cent. of the financial support of the state government. New York has 52.6 per cent. of the population of the state and 68.5 per cent. of the assessed value of real estate. These figures seem to show that the present state tax system does not discriminate unduly against New York City.

The state subventions for roads and schools amount to very substantial sums. In 1925, the state gave the localities 41.4 millions for schools and 5 millions for roads. None of the road money was given to New York City, but 20.6² millions of state school money came to the city treasury. Moreover this sum has been greatly increased since 1925 and is scheduled to increase still further. In 1926 it was 21.5. In 1928 New York City will receive about 35.5 millions of state school money and within three years it is estimated that this sum will reach 45.5 millions.

The present basis for apportioning the yield of the taxes which are shared between the city and the state is one which has no defense except that at the time they were established, the particular fractions represented a more or less satisfactory compromise solution. It is impossible on any abstract ground to justify an arrangement whereby the city receives one-half, and not two-thirds of the personal income tax collections, and one-third instead of two-thirds of the proceeds of the tax on the income of corporations. The general problem is one that will probably have to be

¹ The corresponding figure for 1923 was 57.3 millions and for 1924 was 64 millions.

² The corresponding figures for earlier years are:

1922— 17.9 millions
1923— 18.7 millions
1924— 19.6 millions

faced in the near future and New York City should be prepared to coöperate with other localities and with the state government in arriving at a satisfactory basis of division.

If the distribution of state funds comes more and more to assume the character of a payment for performance of services, it is inevitable that the state should assume a constantly increasing interest in the manner in which local functions are performed. This development may therefore be expected to lead to a redistribution of functions between state and localities. This trend is already apparent in the field of public education, and to some extent in police, roads, and public health. The degree of complacency with which such developments will be viewed will depend largely upon individual opinions regarding local self-government.

THE ASSESSMENT OF REAL ESTATE

The efficiency of the assessment of real property in the city is a matter which, because of lack of facilities, it has been impossible to investigate in any comprehensive fashion. It is a matter of great importance. Some data have been presented which raise the question sharply as to the uniformity of assessments throughout the city, and which seem to indicate a material disparity in assessment standards in the various boroughs. The Committee is able to throw no light at all on the question as to whether there are serious discrepancies among individual properties.

The State Tax Commission, for equalization purposes, estimates the assessments in New York City at the present time to be about 93 per cent. of the full market value.¹ When market values are rising rapidly, a considerable lag must be expected in assessments; it is only proper that the valuations entered on the tax rolls should lean toward conservatism. Moreover, where speculative movements are active there will always be isolated cases of sales greatly in excess of the assessments. The technique of real estate assessment and the organization of the Department of Taxes and Assessments in New York City have for many years been the occasion of just pride among the citizens of the city. In

¹ This was the rate assigned to Manhattan and Brooklyn in 1925. The rates for the other boroughs were: Bronx, 91%; Queens, 89%; Richmond, 89%.

these respects New York City has set a standard for the entire country. The work of assessment is done by assessors appointed for indefinite terms, and the opportunity exists for the development of the peculiar types of skill and knowledge which can be hoped for only when the officers have permanence of tenure. It is perhaps superfluous to call attention to the extreme importance of the freedom of the assessing function from political pressure. During the last fifteen years, however, revolutionary forces have been at work in the city which have profoundly affected real estate values. The war, with its influence on the rate of interest and the price level, the introduction of the pay-as-you-go policy, the announcement of far-reaching improvements and subway projects have, for example, all had the effect of complicating and disturbing the situation.

The Committee suggests that a comprehensive study of the methods of real estate assessments be made in coöperation with the Department of Taxes and Assessments. This study should reveal the fullness of assessments (so that a larger revenue may possibly be obtained), and the extent to which they reach the standard which the law fixes. With the city operating close to the two per cent. tax rate limit, it is desirable that the assessments be both full and exact. It should be possible through the selection of typical areas in the several boroughs to test in a satisfactory manner and without undue expense the fullness of the assessments now being made. When all taxable property makes equitable and just contributions to the city's treasury, there can be no cause for complaint. Certainly, however, if the citizens of New York are to face the future depending almost entirely upon the real-estate tax to finance a great programme of public expenditures they are entitled to demand that this tax will be apportioned with scrupulous equity. Such a survey of present assessments may contribute to this end.

SEPARATE TAX BILLS FOR EDUCATION

Under judicial interpretation of the law the Department of Education has been given a considerable measure of financial independence over against the appropriating authorities of the city.

This results in part from the long since inadequate 4.9 mills that is by law assigned to the Department, but more particularly from the rapidly increasing state subventions for school purposes. In respect of the disposition of these subventions the Department has successfully claimed almost complete control.

The appropriation for public education is by far the largest departmental appropriation in the budget. In 1927 the tax appropriation for education was 27.9 per cent. of the total budget, exclusive of Debt Service. Your Committee expresses no opinion upon the much-mooted question of the wisdom or unwisdom of giving financial independence to the Department of Education. In view, however, of the large share of tax moneys that go to the Department, and more especially in view of the already existing quasi-financial independence of the Department, the taxpayers are certainly entitled to a plain presentation of the facts. Unhesitatingly, your Committee recommends that the taxpayers should receive two tax bills—one covering the amount due for education and the other the amount due for other city, county and state purposes. In determining what part of the tax rate is for educational purposes, the portion of the Debt Service that is referable to education should, of course, be included. Not even this would tell the whole story, for such bills would not show the amount of state subventions, a very considerable part of which comes from the taxpayers of the city. This recommendation contains no implication of criticism; it is prompted solely to the end of the taxpayer's enlightenment.

PROPOSED EXPENDITURES FOR PUBLIC IMPROVEMENTS AND THE CONSTITUTIONAL TEN PER CENT. DEBT LIMIT

The public improvements already discussed will be financed in large measure by the issuance of corporate stock or serial bonds. Calculations have been made of the Debt Service charges which such improvements will add to the tax budget. Possible difficulty in finding money for Debt Service may be an economic barrier to the financing of costly public improvements by borrowing. The State Constitution may set up a legal barrier.

New York City's borrowings are limited to ten per cent. of the assessed valuation of taxable real estate in the city.¹ This constitutional provision has on occasion been a source of embarrassment to the city. Is it likely to be so in the future in the light of a programme calling for capital outlays of one billion dollars during the next few years?

The possible legal debt of the city under the ten per cent. limit automatically increases as the assessed valuations increase. In addition, as debts become due and are extinguished and as instalments are paid into the sinking funds to apply on existing debts, new debts of corresponding amounts can be incurred within the limit. In estimating whether or not proposed improvements can be financed under the debt limit, account must be taken of the present unreserved constitutional borrowing capacity, the future course of real estate values, future payment of debts and future payments into sinking funds.

From Table VII it appears that by the end of 1932 the city will have been able to secure an increase of 805 millions within the constitutional debt limit. The hereinbefore estimated programme of public improvements other than subways calls for

TABLE VII

ESTIMATED EFFECT OF FIVE-YEAR PROGRAMME OF FINANCING PUBLIC IMPROVEMENTS OTHER THAN SUBWAYS UPON THE CONSTITUTIONAL DEBT LIMIT OF NEW YORK CITY BY THE END OF 1932.

	Millions
Borrowing capacity under the debt limit December 31, 1927.....	117.5
Increase in constitutional borrowing capacity by 1932, due to estimated debt redemptions and contributions to sinking fund other than for new subways.....	187.5
Increase in constitutional borrowing capacity by 1932 due to estimated increase in taxable real estate (10% of 5 billions).....	500.0
Total.....	805.0
Estimated requirements for 5-year programme of public improvements exclusive of subways.....	454.1
Difference legal debt incurring capacity available for new subways..	350.9

¹ Bonds issued for extensions of water works, docks and certain other purposes which are self-supporting are legally excluded from the debt limit.

454.1 millions.¹ Thus 350.9 millions will be available for subway construction. To this should be added the 300 millions (outside the ten per cent. limit) recently made available for subway purposes by constitutional amendment.

Table VIII shows in detail the calculations of the effect of the borrowing programme for public improvements other than subways upon the constitutional debt incurring capacity for each year from 1928 through 1932. The figures for the "estimated increase in borrowing capacity due to debt redemption and sinking fund instalments" were obtained from the Board of Estimate and Apportionment and are believed to be conservative. "Estimated increases in borrowing capacity due to increased real estate assessments" are based upon the actual figures for 1928 and the Board of Transportation's estimate that the 1932 assessed value of taxable real property will be five billions higher than the 1927 figure. The figures for new debts to be incurred for public improvements are based upon the programme given in detail in Table I.² Requirements for new subways and for water supply³ are excluded.

Table VIII shows that the amount of new debt-incurring capacity for subways is estimated to be 350.9 millions by 1933. With the 300 millions made available by constitutional amendment the total is increased to 650.9 millions. This is the maximum, however, only if long-term bonds are used. If short-term paper is issued, the total amount available for subways will be considerably increased. The plan of the Board of Transportation already discussed proposes to issue 310 millions of short term bonds by 1931 and to retire 97 millions by 1933. During the next five years, therefore, the city will really be able to borrow a total of 743.9 millions for subways. The Board of Transportation plan contemplates the retirement of 224 millions of bonds in 1934.⁴ It thus appears that during the next few years the city

¹ The total of 1062.1 millions shown in Table I (p. xxxvi) less 500 millions for subway construction and 108 millions for water supply construction.

² See p. xxxvi.

³ Water bonds are not subject to the ten per cent. limit.

⁴ The borrowing capacity will really be greater than these figures indicate because retirement will be effected by contributions to sinking funds. Since the bonds will be for such short terms, however, figures have been used for the amounts retired rather than for the sinking fund payments.

can make capital outlays of nearly a billion dollars for subways without being embarrassed by the constitutional debt limit.

TABLE VIII

EFFECT OF BORROWING TO FINANCE PROPOSED PUBLIC IMPROVEMENTS OTHER THAN SUBWAYS UPON THE CONSTITUTIONAL 10% DEBT LIMIT OF NEW YORK CITY. 1928-1932

Figures for Increase in Taxable Real Property are Based upon the Actual Figure for 1928 and the Board of Transportation's Estimate for 1932.

(Millions)

	1928	1929	1930	1931	1932
Borrowing capacity available December 31st of previous year.....	117.5	201.0	219.4	227.5	245.3
Estimated increase in borrowing capacity due to debt redemption and sinking fund instalments for other than new subway financing (available January 1st).....	32.5	35.0	37.5	40.0	42.5
Estimated increase in borrowing capacity due to increased real estate assessments available March 1st.....	130.6	67.3	67.4	67.3	167.4
Total increases in borrowing capacity under the debt limit.....	280.6	303.3	324.3	334.8	455.2
Less reductions in constitutional borrowing capacity due to new debts to be incurred for public improvements other than subways.....	79.6	83.9	96.8	89.5	104.3
Balance available on December 31st of each year (carried forward to the top of following column).....	201.0	219.4	227.5	245.3	350.9

II. REPORT

CHAPTER I

THE FISCAL STRUCTURE OF NEW YORK CITY

New York City's indebtedness is almost equal to the total outstanding obligation of the forty-eight states of the Union. The debt service charges on the city's funded debt now amount to \$95,000,000, more than the total budget twenty-five years ago. In 1926 the city expended \$146,000,000 from long-term borrowings. The subway debt, actual and contemplated, will be larger than the entire debt of the national government before the War. The rapid transit trackage is sufficient to reach nearly to Chicago. One million children attend the city's schools. It is little wonder, therefore, that the annual turn-over of the municipal treasury is two billions a year; that in 1926 New York spent \$100,000,000 more than did Chicago, Philadelphia, and Detroit together, and that the city's annual expenditures of more than half a billion are larger than the expenditures of the national government only twenty years ago. In addition to the half billion annually spent for local purposes, the residents of New York contribute an equal amount to the national government—nearly twenty-five per cent. of the total proceeds of the income tax.

It is perhaps trite to refer to the city's 115,000 employees as an army, but as a matter of fact this army is as large as the regular military establishment of the United States. The city's payroll is \$235,000,000 a year. Few great industrial organizations of the country have more varied activities or more important problems. The city is a huge public corporation engaged in the business of furnishing many kinds of service to its inhabitants. The assessed valuation of its real estate subject to local taxation is nearly fifteen billion dollars—not far from the total valuation of the railroads of the country.

Such a huge municipal corporation requires an elaborate fiscal structure. The pages that follow will attempt to analyze this structure and to focus attention on the chief problems of New York's finances and financial administration. Such a task has not been attempted before. Few special problems have been written about, and the fiscal system as a whole has never been adequately dealt with in print.¹ It will be necessary, therefore, to include much description in order that the analysis may be understood. This, however, should add greatly to whatever value the present volume may otherwise have. New York's problems are so extensive and varied that it is difficult for a citizen to understand the questions of public policy that continually arise. The best mirror of the work of the city is the mirror of municipal finance, even though the reflection may be frequently dim and occasionally distorted. If more people are permitted to peer into this mirror through the medium of the following discussion, it will be well worth while, entirely apart from the reforms and improvements which may result from an examination of existing practices.

New York City's fiscal system is divisible into four principal parts: (1) the planning of current operating expenditures of which most, but not all, are included in the tax budget; (2) the provision of the revenues to meet these expenditures; (3) the planning of major capital improvements and their financing by long term borrowings, and (4) the administration of the funded debt which results from such borrowings.

The following pages will deal in considerable detail with these four major aspects of the city's fiscal system. That system is administered by different officers and organs of the municipal government and can hardly be understood without some explanation of how financial authority is parcelled out, and what powers belong to which officers or boards. It is necessary, therefore, at the outset, to describe that portion of the government of New York which is concerned with finance. The main outlines

¹ A possible exception—Ma, *The Finances of the City of New York* (Columbia University Studies)—was published in 1914.

may be familiar, but it seems desirable to redraw them here for the picture is so complicated that its details are frequently forgotten.

THE FINANCIAL ADMINISTRATION OF NEW YORK

The Board of Estimate and Apportionment

The Board of Estimate and Apportionment in one sense is the upper branch of the municipal legislature.¹ Primarily, however, it is not a legislative body at all. It has sometimes been described as the board of directors of the Municipal corporation. Whatever the proper analogy, there is no question that during the last twenty years it has gradually acquired almost complete control of the city's finances.

The Board of Estimate is composed of the Mayor, Comptroller, President of the Board of Aldermen, and the five Borough Presidents. The terms of all members are four years, and their election takes place at the same time. Membership in the Board is *ex-officio*, and the members receive the salaries attached to their respective offices. The members do not have equal voting power. The Mayor, Comptroller, and President of the Board of Aldermen—the three members elected by the entire city—have three votes each. The Borough Presidents of Manhattan and Brooklyn have two each, and the Borough Presidents of the Bronx, Queens, and Richmond have one each—a total of sixteen.

All action of the Board is taken by resolutions adopted by a majority of the whole number of votes, except for certain financial matters, which require twelve votes or unanimity. A quorum

¹ The Home Rule Enabling Act passed by the state legislature in 1924 (Laws of 1924, c. 363) created a local, bicameral legislative body (under the revived name of Municipal Assembly) to exercise the city's newly granted power to pass local laws coming within the broader powers given the city over "its property, affairs and government" by the Home Rule Amendment of 1923. These local laws may, subject to certain restrictions, amend the Charter. The Board of Estimate and Apportionment and the Board of Aldermen are in every legal respect equal and coordinate as branches of the Municipal Assembly but retain their present Charter functions unimpaired. As one—and now the "upper"—house of the Municipal Assembly, the Board of Estimate and Apportionment may be properly referred to as a legislative branch.

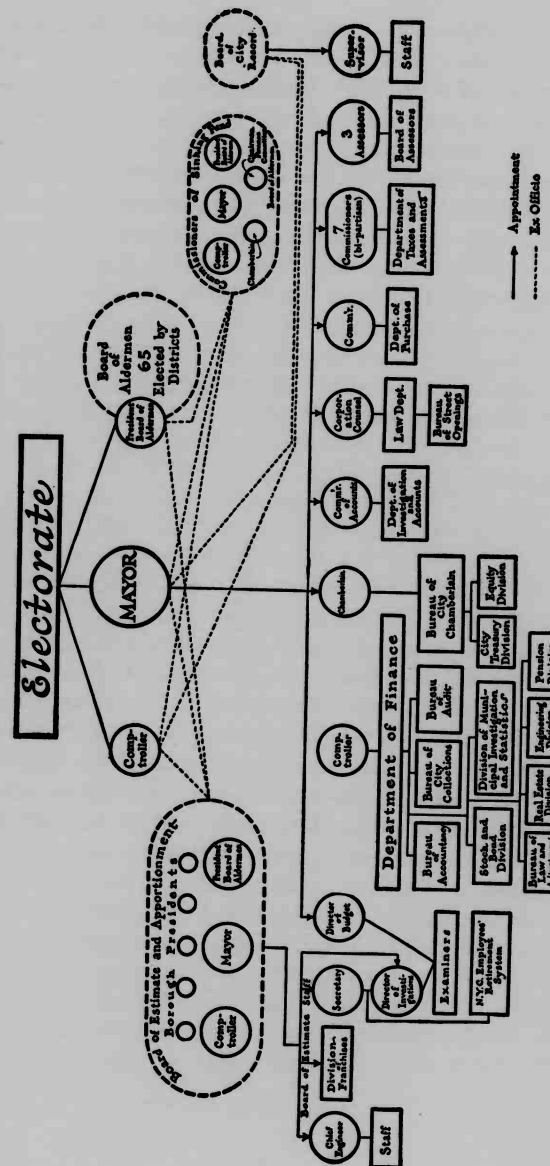
of the Board consists of a number sufficient to cast nine votes. At least two of the three-vote members must be present. All the members, except the Mayor and the President of the Board of Aldermen, may be and frequently are represented by their chief subordinates.

The original power of the Board and the one from which it derives its name is, of course, the preparation of the budget. Close contact with this work from the receipt of the departmental estimates in August until the submission of the final budget to the Aldermen in November would alone make the Board of prime importance. In 1901, however, the Board's powers were further enlarged by reason of the abolition of the Board of Public Improvements. This Board had consisted of all the officers who were members of the Board of Estimate plus the six commissioners in charge of water supply, highways, street cleaning, sewers, public buildings, and bridges. When the Board of Public Improvements was abolished, the supervision of highways, sewers, and public buildings was decentralized and placed in the hands of the borough presidents. Control over all these matters was transferred to the Board of Estimate. Three years later, in 1905, the control of franchises was added to the jurisdiction of the Board. A shadow of this power still belongs to the Aldermen, but the Board of Estimate now has power to amend, revise, or repeal any franchise granted by the Aldermen, and it has sole jurisdiction over franchises for the use of streets for purposes of transit or communication. During the last ten years the Board has also had charge of the city's zoning regulations. In 1920 when the city employees' retirement system was created, the Board of Estimate was made trustee with important discretionary powers.

Practically all matters coming before the Board are referred by it to some one of its three committees. Public improvement projects, zoning regulations, and grade changes which would affect the city map are dealt with by the Committee on City Plan and Public Improvements. The distribution of the cost of public developments on the benefited property is entrusted to the Committee on Assessments. All other matters go before the Commit-

CHART I

ADMINISTRATIVE UNITS DEALING WITH THE CITY'S FINANCES



tee of the Whole which has its weekly meeting day and its lengthy printed calendar just as does the Board itself. This Committee has succeeded to all the functions of the former Committees on Finance and on Tax Budget. All three committees consist of the entire membership of the Board. The advantage of such a practice is in the greater use of deputies which it permits and in the larger share which department heads can have in committee deliberations. Most of these committee sessions are open to the public and the press. In addition to its three major standing committees the Board has nearly thirty special committees, composed in some cases of all the members, in other cases of a portion, and in still others of departmental officials or even laymen. Reports from these special committees are referred by the Board to the Committee of the Whole.

The Board of Estimate Staff

One of the most remarkable features of the Board of Estimate is the huge staff which it has built up to aid it in its work. This organization has a personnel of more than two hundred and costs annually over half a million dollars. There is no more important or influential body in the city's fiscal system; on the vast majority of matters, the decisions of the permanent staff become the decisions of the Board of Estimate. The work of the staff is divided into three parts. The activities of the Chief Engineer and of the Division of Franchises, while extremely important, need no discussion here. The Chief Engineer has certain duties in connection with general assessment projects which will be mentioned later.¹ The remaining functions of this elaborate secretariat are under the general supervision of the Board's secretary. He, like the Chief Engineer and the engineers of the Franchise Division, is appointed by the Board. He has charge of the records and minutes of the Board and the preparation of the weekly calendars which frequently are documents of three hundred pages embracing a thousand or more items, and of all the general reporting and investigating work

¹ See Chapter VI, p. 176.

as well.¹ The examining staff is among the most important units in the entire financial structure. Through its hands pass practically every matter which even remotely affects any fiscal aspect of the city's operations. Not only do the examiners scrutinize all budget proposals and all applications for other grants of money, but they pass on salaries and grades, on specifications for the purchase of supplies, and on contracts for permanent improvements, repairs, and replacements.

The budget staff of the Board of Estimate and Apportionment consists of 27 examiners, 11 engineers, and 3 examining inspectors, with typewriting copyists, computers, etc. These are attached to the office of the Secretary and work under his supervision and that of the Director of Contract Supervision and Investigations, who is appointed, as is the Secretary, by the Board of Estimate and Apportionment.² All but a half dozen of the examiners have been in the service of the city for twenty years or more. Many of them are exceptionally well-equipped for their tasks.

The Board of Aldermen

The Board of Aldermen consists of sixty-five aldermen, elected for two-year terms, from single-member districts. The five Borough Presidents are also members and are generally represented by deputies, most frequently their commissioners of public works. The heads of the city departments may also attend the sessions; indeed they may be required to attend if the Board so desires, but they have no votes. In practice the heads of the Mayor's important departments attend infrequently. The Mayor, however, still exercises the right to initiate ordinances.

Most of the powers possessed by the typical city council are not within the province of the Aldermen. It will be noted that

¹ He is also, as secretary to the Board, secretary of the New York City Employees' Retirement System, but this aspect of his work is not pertinent here.

² Up to February 1, 1918, there existed the bureaus of personal service and contract supervision operating in connection with the Board of Estimate and Apportionment. These bureaus were created during the Mitchel administration and were discussed in the campaign of 1917. The new Board of Estimate and Apportionment abolished these two bureaus and added the employees to the staff of the Secretary of the Board.

the Board does not even participate in the control which the Board of Estimate has over franchises, public improvements, and street development. Only in a few restricted cases is its approval necessary for the selection of sites for public buildings.

The more important powers of the Board of Aldermen are financial, but of these the crucial ones are shared with the Board of Estimate. These powers include approval of the city budget, the authorization of the tax levy, the issuance of Corporate Stock for a few particular purposes and emergency Special Revenue Bonds, and the establishment of grades and compensation of positions in the municipal service. With the unanimous consent of the Board of Estimate, the Board of Aldermen may release contractors from liquidated damages. Independently, the Aldermen have power to authorize purchases without public letting for amounts in excess of \$1,000.

Besides these financial powers, the Board has a number of minor powers of considerably less significance: the naming and renaming of streets, the establishment of markets, the granting of various permits for small arms practice, the construction of vaults, the use of streets, and the holding of parades.

The budget is the most important subject over which the Board has jurisdiction. It may reduce or strike out items but cannot increase them. The Charter allows twenty days for the discussion of the budget and makes elaborate provision for its adoption without the assent of the Board at the expiration of this period. In actual practice, the Board of Aldermen passes a \$500,000,000 budget in twenty minutes. This situation is not wholly the fault of the Aldermen. The actual preparation of the budget takes place during the summer months when they are not in session. It is true that the departmental estimates are available in August, but by the time the Aldermen resume deliberations in the fall, the budget is in too crystallized a stage for any criticism to be effective.

The Board's power to fix the tax rate has dwindled into one of uncritical assent. The Comptroller's office not only prepares the information on assessed valuations and the amount required to meet the city budget and the state tax, but it actually pre-

pares the report of the finance committee of the Board of Aldermen. The members of the committee receive printed copies of the report less than half an hour before they are expected to sign it.

The Department of Finance:

The Finance Department is one of the largest departments in the city's government. It employs about nine hundred people and has a payroll of \$2,500,000. It is the only city department headed by an official elected by the city at large. The Comptroller, besides being the head of this sizable establishment, is a member (with three votes) of the Board of Estimate, the Sinking Fund Commission (which may not do business without him), the Banking Commission, and the Board of City Record. He has numerous minor assignments.

The Charter prescribes the organization of the Finance Department. There are three major bureaus and four separate divisions of lesser importance. The Bureau of Accountancy headed by the Chief City Accountant has two divisions which audit receipts and disbursements. Each division audits items that run well over a billion dollars a year. The Bureau must approve the accounting procedure of all city departments.

The Bureau of Audit has an even more burdensome task. Its Division of Audit and Examiners keeps track of the operation and accounts of all city departments. The Inspection Division checks all goods received or contracts completed. The Central Payroll Division supervises the city's payroll which has 115,000 names and amounts to \$235,000,000 annually. The Pay Division handles all other disbursements.

All bills presented to the city must be accompanied by a voucher from the department concerned certifying to the acceptance of the supplies or services performed. This voucher is immediately charged against the proper appropriation or other account. The Finance Department, however, must investigate or inspect the services represented by the voucher and satisfy itself as to the correctness of the bill. It has the power to reduce the amount if it deems it excessive. Having determined

the amount which it will pay, the Department then prepares a warrant permitting the money to be drawn from the city treasury. The warrant must be signed by the Comptroller and the Mayor or his chief clerk. The check which is part of the warrant must be signed by the Chamberlain.

The department heads are required by the Charter to keep within their appropriations.¹ The Comptroller sets up appropriation accounts on the basis of the budget. He reduces them as vouchers or warrants are presented against them and debits and credits them as budget transfers are made. Contracts are also registered with the Comptroller and the accounts are accordingly encumbered. Open market orders are reported to the Comptroller, but are not entered on the accounts. It is possible for a department to exceed its appropriation through the issue of open market orders which are legal claims against the city provided the appropriation has not been paid out. Merchants may thus be forced either to wait until the department secures additional funds or to file a claim with the Comptroller.²

The Bureau of City Collections has recently been created by merging the offices of the former Receiver of Taxes, the Collector of City Revenue, and the former Collector of Assessments and Arrears into a new post, that of City Collector. This Bureau handles practically all the cash which the city receives in the course of the year. Finally, the office of the City Chamberlain is in legal contemplation a Bureau in Finance Department.³ The Chamberlain, however, is appointed by the Mayor and the functions of his office will be considered separately.

The minor branches of the Comptroller's extensive department

¹ Section 1542 of the Charter provides:

"It shall be the duty of the heads of all departments and of all officers of said city, and of all boards and officers charged with the duty of expending or incurring obligations payable out of the moneys raised by tax in said city, or in any of counties contained within its territorial limits, so to regulate such expenditures for any purpose or object, that the same shall not in any one year exceed the amount appropriated by the Board of Estimate and Apportionment for such purpose or object; and no charge, claim or liability shall exist or arise against said city, or any of the counties contained within its territorial limits, for any sum in excess of the amount appropriated for the several purposes. . . ."

² See below, p. 116.

³ Charter, Section 195.

include the Stock and Bond Division, the Bureau of Law and Adjustment, the Real Estate Division, the Division of Engineering, the Pension Division, and the Bureau of Municipal Investigation and Statistics. Some conception of the extent and volume of the work of these divisions may be gleaned from the fact that the Comptroller must approve all real estate purchases, and all market and other leases by or from the city. He has power to adjust and settle all legal claims against the city and he certifies all illegal claims to the Board of Estimate.¹ Notices of all law suits must be filed with the Finance Department.

The Bureau of the City Chamberlain

The City Chamberlain is appointed by the Mayor in the same manner and with the same tenure as a department head,² but his office is established as a bureau of the Finance Department.³ The duties of the Chamberlain are fivefold: (1) to hold the moneys belonging to the city and to the various counties comprised in the limits of Greater New York; (2) to act as custodian and administrator of court and trust funds, generally known as equity moneys; (3) to act as fiscal agent for the Adjutant General of the state in the distribution of military funds; (4) to act as fiscal agent for the State Board of Tax Commissioners in the collection and distribution of the mortgage tax; (5) to act as trustee of civil and criminal bail and mechanics' liens paid on court order.

The office staff is divided into two divisions: the City Treasury Division and the Equity Division. As city treasurer, the Chamberlain is the city's banker and custodian of its funds. His work has come to be largely a matter of caring for bank deposits. The checking of warrants against appropriations is handled in practice by the Finance Department with some auditing by the

¹ Charter, Sections 261 and 246 respectively. In the case of legal claims the Comptroller usually pays them out of Special Revenue Bonds without any report to the Board of Estimate or any other body. Claims thus settled have in instances amounted to hundreds of thousands of dollars.

² Charter, Section 194.

³ Charter, Section 151, ¶ 5.

Commissioner of Accounts on behalf of the Mayor.¹ The Chamberlain has issued no separate published report since 1916, but the *Comptroller's Report* carries several statements pertaining to his work.

All city revenues are received in the name of the Chamberlain, but he is not the sole, or even the chief, receiving officer. Taxes and assessments are paid to the Bureau of City Collections of the Finance Department. Water revenues are collected by the Water Register. Numerous license fees are received by the Department of Licenses, and permit moneys are gathered in by bureaus scattered through the various departments. In a few cases these receipts are turned over directly to the Chamberlain; in most instances they are deposited to the account of the city in banks selected by the Chamberlain.

The Chamberlain has complete discretion as to the amount to be kept on deposit with any bank approved by the Banking Commission, of which he is a member, except that the amount may not exceed fifty per cent. of the capital and surplus of the institution. All these deposits must, according to the Charter, be subject to withdrawal on call except time deposits made with the approval of the Comptroller for six months.² Schedule A of the *Comptroller's Report*³ contains statements showing the amounts on deposit with various banks to the credit of the city and the sinking funds. The daily balances vary considerably with the receipt of taxes and the sale or redemption of bond issues. In the course of a year the balances will run as low as \$25,000,000 and as high as \$125,000,000. On December 31, 1926, there was \$35,265,604.88 in the various city depositories—\$28,036,641 to the credit of the city treasury and \$7,228,963 to the credit of sinking funds. The Banking Commission, consisting of the Mayor, Comptroller, and Chamberlain, meets each

¹ The Commissioner of Accounts is required to make an annual examination during January or February of the receipts and disbursements of the City Treasury and reports his findings to the Mayor and the Board of Aldermen during the following February. (*Proceedings of Board of Aldermen*, March 9, 1926, p. 456.) These reports have grown more and more brief until they consist merely of a few pages of summaries of the receipt and disbursement accounts, deposits, and borrowings.

² Charter, Section 196.

³ 1926, p. 330.

quarter to designate banks as city depositories and establish the rate of interest.¹

At the present time there are one hundred and five approved banks but deposits are in practice kept in no more than half of these. The Chase National Bank is the city's clearing house bank. About half of the city's deposits are kept in this bank and all checks are drawn upon it.² All accounts bear two and one-half per cent. interest on the average daily balance which is paid at the end of the month, except that the Chase Bank pays two per cent. on the first \$2,000,000 and two and one-half per cent. on all above this amount.

The examination and checking of vouchers and the preparation of warrants are the work of the Comptroller's office. The Chamberlain does not receive the warrant until it is signed by the Comptroller and the Mayor. Attached to the warrant is a check which the Chamberlain signs, and no city money may be drawn from the city treasury except on such warrant bearing these three signatures. The Chamberlain registers the warrants and controls their issuance in accordance with his bank balances. When the warrants are returned from the bank, they are listed by the Chamberlain and audited by the Finance Department. All these warrants are drawn upon the Chase National Bank. Accounts with all of the other banks are in the nature of reserves, which the Chamberlain may, by his own check, transfer from one city depository to another, or to the Chase Bank if the money is to be paid out of the city treasury. The Finance Department, in addition to auditing the warrants paid by the Chamberlain, makes a monthly examination of the Chamberlain's bankbooks and receives from each city depository a certificate of the amount on deposit each month. The Chamberlain balances his books at the end of each week, month, and year, and checks them with the statements received from the banks. The Chamberlain keeps about 3,000 ledger accounts showing the

¹ Charter, Section 196, and Minutes of the Banking Commission. *City Record*, 1927, p. 8142.

² There are three other large accounts of two or more millions each and several others over a million. Many of the accounts contained less than \$50,000 and six held but \$10,000 (December 31, 1926).

expenditures charged to the various departments, to bond issues, and to sinking funds. These are likewise subject to monthly audit by the Comptroller.

As County Treasurer, the Chamberlain is trustee of various court funds and military funds, and receiver and custodian of cash bail.¹ These funds are received and disbursed exclusively on court order. The Chamberlain is under special bond to the state for them. There are at present 15,000 of these separate trust accounts, aggregating \$10,000,000.² The accounts and operations of these funds are not included in the *Comptroller's Report*. About half of the money in these funds is in banks and the rest is invested in bonds or mortgages. The interest on these investments, of course, is not the property of the city, but reverts to the proper trust account.

There is some confusion in the public mind as to the utility of the Chamberlain's office. Former Chamberlain Bruere's much heralded and much misunderstood recommendation that his own office be abolished was not intended as a dramatic gesture of economy, but as a step in the direction of sounder administrative organization. What he really urged was the inclusion of his office in the Finance Department. As the office now exists, its sole discretion relates to the distribution of deposits. In respect of receipts and disbursements the Chamberlain's duties are purely ministerial. The warrants are certified by the Comptroller and audited by the Commissioner of Accounts. Mr. Bruere thought that the Chamberlain's duties could be better cared for by a permanent subordinate directly responsible to the Comptroller.

The Commissioners of the Sinking Fund

The Charter provides for a board of Commissioners of the Sinking Fund composed of the Mayor, the Comptroller, the Chamberlain, the President of the Board of Aldermen, and the

¹ Charter, Section 197.

² This does not include numerous important city trust funds, e.g., the Police Pension Fund (of which the Police Commissioner is trustee), the Fire Department Relief Fund, and various others.

Chairman of the Finance Committee of that body.¹ The presence of the Comptroller is essential for the transaction of any business.² These commissioners are entrusted with the administration of all of the sinking funds of the city. The work is, of course, of a relatively simple character. It consists largely of approving policies recommended by the Comptroller. For example, on February 9, 1927, the Commission voted to accept three resolutions presented by the Comptroller. The first related to the sale of certain assessment bonds to the several retirement boards; another "recommended" the fixing of four per cent. as the maximum interest on corporate stock issues to be sold to the Sinking Fund; the third dealt with the investment of \$35,000,000 available cash of the sinking funds in Corporate Stock and Serial Bonds of the city. The reports and the accompanying resolutions were promptly accepted.

More important than the duties pertaining to the sinking funds are the powers which this Board has over the city's real estate holdings. The Commissioners may sell at auction land owned by the city except parks, wharves, and land under water, or may lease land for ten years with the privilege of a ten-year renewal.³ The body has other extensive powers relating to land under water, discontinued streets, the removal of structures on condemned land, claims arising from such removals, tax cancellations for religious and charitable bodies, the sale of obsolete supplies and equipment, the designation of court houses and jails, and exchanges of land.

A majority of the members of this body are members of the Board of Estimate. Most of its functions are strictly financial and therefore involve matters and policies for which the Board of Estimate is primarily responsible. Charter commissions and investigating committees have repeatedly recommended that these two bodies be consolidated.

¹ Charter, Section 204.

² *Craig v. Commissioners of the Sinking Fund*, 203 N. Y. Supp. 236 (1921).

³ Charter, Section 205. There must be unanimous consent to dispose of market land.

The Director of the Budget

The office of the Director of the Budget was created in 1923. It is not a charter position but was established by including the salary in the 1924 budget. The first Director was appointed in June, 1924. The office takes the place of the special subcommittee of the former Committee on Tax Budget of the Board of Estimate and Apportionment, which existed during the Mitchel administration and lapsed in 1918. That subcommittee consisted of a group of departmental experts representing the members of the Board of Estimate and Apportionment who composed the Tax Budget Committee. The public hearings were held before this special subcommittee of staff experts. The subcommittee did not have authority over extensions of activities or certain salary increases. An appeal from their recommendations lay to the tax budget committee of the Board of Estimate and Apportionment itself.¹ In some respects the hearings held by this subcommittee were more thorough than anything which now takes place.

When, in 1918, this subcommittee passed out of existence, the Committee on Finance and Budget of the Board attempted to do much of the work itself. This never proved satisfactory. In 1922 the Committee on Finance and Budget was abolished, and the Committee of the Whole, with which it had been in conflict, came to function in its stead. Meanwhile the Secretary of the Board had been assuming some of the functions of the subcommittee. It was in order to bring the work more closely under the Mayor's control that the office of Director of the Budget was created. He now performs, in the name of the Mayor, much of the work that was formerly done by the subcommittee.

¹ The personnel of this subcommittee in a typical year may be of some interest as indicating its general character. In 1917, the subcommittee was composed of:

Robert B. McIntyre, Supervising Statistician and Examiner, Bureau of Municipal Investigation and Statistics, Department of Finance, Chairman; Leonard M. Wallstein, Commissioner of Accounts; Albert E. Hull, Assistant to the President of the Board of Aldermen; Tilden Adamson, Director of the Bureau of Contract Supervision; Mrs. Mathilde C. Ford, secretary to the Committee on Education, Board of Estimate; Paul C. Wilson, Assistant Secretary to the Mayor; J. W. F. Bennett, Consulting Engineer, Borough President of Bronx, and George W. Tillson, Consulting Engineer, Borough President of Brooklyn.

The Director of the Budget has no staff of his own other than one or two clerks and a stenographer. One of the examiners of the Board of Estimate and Apportionment has been assigned to the office and makes it his headquarters. The Director of the Budget appears at all meetings of the Board of Estimate and its committees. In connection with all matters pertaining to the budget work he depends upon the staff of examiners of the Secretary's office.

The Director of the Budget has become an important functionary in the administration of the city's departments. All of the Mayor's departments are required to secure the Mayor's permission to communicate to the Board of Estimate and Apportionment any requests for transfers, changes in salaries or grades, Tax Notes, or Revenue Bonds. These and similar requests from county, borough, and court officers are now referred by the Board to the Director of the Budget for his approval. Many requests are transmitted directly to him. He passes on salary questions. Contracts, on the other hand, are referred to the Secretary of the Board of Estimate. Matters assigned to both the Director and the Secretary ultimately come to the same examining staff of the Board of Estimate and Apportionment.¹

The Commissioner of Accounts

The Mayor is also able to establish contact with current financial operations through the Commissioner of Accounts, whom he appoints and may remove. The Commissioner of Accounts has almost invariably been closely identified with the Mayor. His function is much broader than that of accounting; he is the Mayor's official investigator. Indeed, in order to safeguard this function and preserve the Commissioner's power of

¹ Except for the last few months of the year, all requests for budget transfers are referred to both the Comptroller and the Director of the Budget for their recommendations. Both report not only on the status of the funds but on the desirability of the proposed transfers. Requests during the last few months of the year, and those relating to the previous year's budget, are referred only to the Comptroller on the theory that they relate to deficiencies or overdrafts. There seems to be no good reason why the Director of the Budget should not have authority to report on all matters affecting departmental expenditures, particularly those relating to the current year.

subpoena the office was by a Local Law in 1924 erected into the Department of Investigations and Accounts. The routine duties of the office consist of checking all warrants drawn upon the City Treasury and making an annual examination of the Chamberlain's bank ledgers. Beyond this, the functions of the Commissioner are capable of indefinite expansion in accordance with the desires of the incumbent or the Mayor who selects him.

Other Fiscal Agencies

In addition to the foregoing major boards and departments, there are a number of other fiscal agencies. Some of these are treated briefly here, not so much because they are less important, but because their work is explained in detail in later chapters and has relatively minor significance in connection with the work of the other financial organs of the city's government.

The Board of Taxes and Assessments is a bi-partisan body of seven Commissioners appointed by the Mayor. They are vested with complete power over the valuation of real and personal property in the city.¹ The distribution of the cost of such local or general improvements as are to be borne by the benefited property, is assigned to three different offices. The Board of Assessors handles street improvements. The Bureau of Street Openings in the Law Department looks after the costs of acquiring streets. The general city or borough assessments, a feature peculiar to the financial system of New York City, are handled by the Board of Estimate upon the advice of its Chief Engineer. The work of all three of these agencies is described below.²

Purchasing

The spending of the city's money for supplies is a task of considerable importance. It is divided among four distinct and independent agencies. The largest volume of purchases is negotiated by the Department of Purchase. This is not strictly a purchasing department, but rather a price getting agency for the Mayor's departments which actually spend the appropriated money. The Board of Education has its own Bureau of Supplies.

¹ See Chapter VI, p. 169.

² See p. 177 *et seq.*

Printing and stationery is largely, but not completely, handled by the Board of City Record, an *ex-officio* body consisting of the Mayor, the Comptroller, and the Corporation Counsel. Finally, the various Borough Presidents' offices do their own purchasing. A separate chapter is devoted to this subject.¹

TAX BUDGET EXPENDITURES

The outline given above of the various agencies concerned with the financial administration of New York has indicated in part the manner in which current operating expenditures are planned and made. The form, content, and procedure of the budget will be dealt with in much greater detail in the following chapter. Here, however, it is worth while to indicate the general manner in which the tax budget expenditures are apportioned. Table I gives a functional grouping of expenditures from 1925 to 1928.

Two warnings are necessary in connection with this table and the accompanying charts. In the first place, New York City's appropriations are made to operating units and not to functions. The groupings here employed are those of the Finance Department. Secondly, the figures used are those of appropriations and not of amounts actually spent. They therefore fail to show precisely the operations of the departments. They take no cognizance of transfers of money within the budget after its adoption or of unexpended balances at the close of the year. They do not show the amounts which departments expended from other than tax budget funds. Charts II and III indicate the relative apportionment of expenditures between the various functions since 1915 and their individual rates of growth.²

GENERAL REVENUES

Seventy-five per cent. of the money which the city raises for its expenditures comes from a tax on real and personal property. The fiscal importance of this tax and the method of administering the assessments upon which it is based, are explained at some length in Chapters V and VI. Here it is desirable to indicate

¹ See Chapter IV, p. 103.

² A table supporting these charts is given in the Appendix, see p. 257 ff.

TABLE I
TAX BUDGET APPROPRIATIONS, 1925-1928

	1925	1926	1927
General Administration . . .	\$6,186,708	\$6,206,720	\$6,622,956
Legislative	585,556	596,436	648,890
Judicial and Semi-Judicial . .	15,846,743	16,417,676	18,398,244
Educational	84,129,208	87,073,149	89,516,073
Parks and Parkways	3,917,266	4,331,792	4,540,269
Museums, etc.	1,939,914	2,097,203	2,225,592
Health Conservation	8,475,860	8,927,279	9,972,196
Sanitation	27,007,884	28,648,293	31,319,288
Water Supply	3,258,860	3,482,246	3,698,734
Protection of Life and Property	62,713,797	64,408,523	70,380,340
Correctional Purposes	2,259,829	2,388,420	2,577,918
Charitable Purposes	20,051,118	20,810,436	21,606,217
Streets, Highways and Bridges .	10,727,785	11,480,423	19,637,709
Public Enterprises (Docks, Ferries, Transit, etc.)	6,101,948	6,672,788	12,338,655
Public Buildings and Offices . .	4,547,638	5,097,286	5,951,248
Board of Elections	1,886,299	1,917,887	1,880,412
Publication, Advertising and Printing	1,548,596	1,701,452	1,905,513
Taxes and Rents	1,400,668	1,458,919	1,506,319
Pensions and Relief Funds, etc. .	12,203,016	13,180,389	13,953,406
Miscellaneous	1,055,381	1,249,009	2,596,086
TOTAL, GENERAL GOVERN- MENT	\$275,842,080	\$288,146,333	\$321,276,074
Debt Service:			
Interest on the Funded Debt	\$55,713,827	\$60,027,186	\$66,860,397
Redemption of the City Debt	15,373,453	18,738,795	19,546,157
Amortization of the City Debt	8,250,000	9,150,000	11,350,000
Redemption of Tax Notes . .	7,000,000	18,500,000	16,500,000
Redemption of Special Revenue Bonds	13,250,000	17,750,000	19,000,000
Interest on the Temporary Debt	3,909,953	3,856,873	4,100,000
TOTAL DEBT SERVICE . . .	\$103,497,232	\$128,020,854	\$137,356,554
State Tax	\$16,236,971	\$17,564,808	\$12,622,697
Tax Deficiency	2,990,000	2,880,000	3,250,000
Classon Avenue Sewer Assessment	387,943	388,003	387,973
TOTAL TAX BUDGET . . .	\$399,618,855	\$437,000,000	\$474,893,300

CHART II
APPORTIONMENT OF NEW YORK CITY'S TAX BUDGET APPROPRIATIONS FOR
SELECTED YEARS, 1915 TO 1927

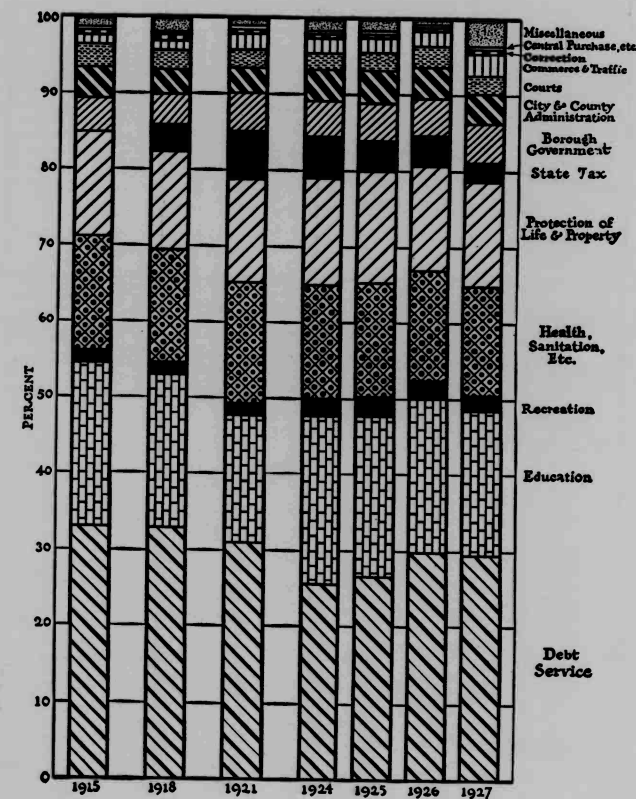
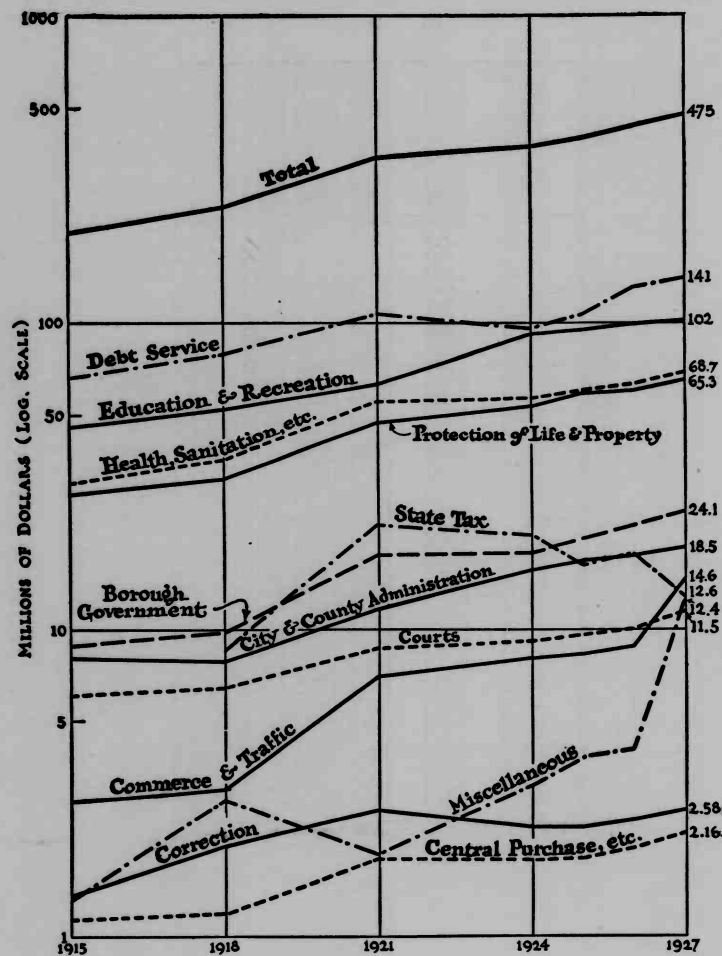


CHART III

GROWTH OF THE CITY'S EXPENDITURES BY FUNCTIONS, SELECTED YEARS
1915 TO 1927TABLE II
GENERAL FUND, 1925-27

	1925 ¹	1926 ²	1927 ³
Cash balance Jan. 1	\$10,711,275	\$10,342,113	\$9,567,233
City share of state taxes			
Income tax	15,040,733	18,186,433	
Bank tax	6,552,933	6,887,426	
Moneyed capital tax	692,344	155,631	
Corporations tax	7,562,092	7,641,698	
Motor vehicle tax	2,409,464	2,724,060	
Real estate brokers' tax	214,083	96,538	
Mortgage tax	4,061,540	4,722,021	
Fees	2,954,878	3,186,098	
Permits and licenses	1,661,714	1,718,308	
Water rates (Brooklyn, Queens, and Richmond)	1,327,146	1,491,021	
Penalty on Taxes	3,613,925	3,975,931	
Interest on assessments	1,387,818	1,934,758	
Miscellaneous	1,076,281	1,876,607	
Sinking Fund Receipts			
INTEREST SINKING FUND			
Cash on hand Jan. 1	2,137,312	3,366,701	
Water rates and interest (Manhattan and Bronx)	11,881,580	12,472,664	
Municipal ferries, fares and privileges	3,149,344	3,299,985	
Ferry leases	566,999	471,417	
Rents, house, ground, etc.	508,450	562,859	
Fees, fines, etc.	2,114,213	2,250,773	
Interest on Sinking Fund balances	65,769	59,638	
Revenue from investment	11,250	17,250	
Less, Payments and refunds	168,216	164,626	
Investments	3,366,701	1,650,000	
Cash balance, Dec. 31	3,366,701	3,286,661	
Surplus, transferred to Sinking Fund No. 1	16,900,000	17,400,000	
REDEMPTION SINKING FUND No. 1			
Cash on hand Jan. 1	218,568	1,381,153	
Dock and ship rents	7,004,215	7,206,959	
Market rents and wagon fees	460,136	460,844	
Franchises	728,791	774,994	
Licenses	734,936	783,082	
Permits, street vaults	382,476	300,862	
Fines, privileges and miscellaneous	26,650	21,562	
Interest on Sinking Fund bank balances	151,715	40,124	
Interest on City Treasury bank balances	680,996	787,441	
Revenues from investments	532,449	579,892	
Interest on General Fund Bonds	14,831,584	16,409,603	
Surplus of Interest Sinking Fund	16,900,000	17,400,000	
Sale of investments	1,002,260	587,308	
Less, Redemption	1,270,200	1,076,049	
Refunds and Miscellaneous	3,423	17,343	
Investments	1,381,153	270,000	
Cash Balance Dec. 31	1,381,153	2,120,442	
Transferred to General Fund through purchase of General Fund Bonds	41,000,000	43,250,000	47,000,000
Total General Fund	100,266,226	108,188,642	
Less Interest on General Fund Bonds	14,831,584	16,409,603	16,966,500
Cash Balance Dec. 31	10,342,113	9,567,239	
Franchise Tax Deductions	1,500,000	1,500,000	
GENERAL FUND applied to reduction of taxation	73,592,504	80,711,801	80,910,238 ⁴

¹ From Comptroller's Report for 1925, *passim*.² From Comptroller's Report for 1926, *passim*. Note that these figures are not available until late in February of the following year.³ Ibid.⁴ From Report of the Finance Committee of the Board of Aldermen, March 1, 1927. The Board of Estimate has only its own guesses at these figures at the time of making out the budget.

the relation of the property tax to the other features of the fiscal system.

In addition to the property tax, the city has various miscellaneous revenues whose nature and relative importance are dealt with later. The annual total of these revenues and receipts is approximately \$125,000,000. Of this approximately \$80,000,000 go either directly or indirectly into the General Fund of the City—"the General Fund for the Reduction of Taxation."¹ The General Fund is deducted from the amount required to meet the tax budget and the property tax rate necessary to care for the balance is calculated in a manner to be described presently.

The General Fund, as has just been said, is replenished directly and indirectly. The indirection arises from the fact that a large portion of the miscellaneous revenues of the city is pledged to two sinking funds which antedate the establishment of Greater New York in 1898. Payments to these funds soon became far larger than was necessary for the amortization of the bonds which the sinking funds supported. In 1903, therefore, a system was worked out by which the surpluses of the sinking funds would be released to the General Fund in exchange for General Fund Bonds. The two sinking funds are the Interest Sinking Fund and Sinking Fund Number 1. The surpluses of the former are transferred to the latter. The combined surpluses of both are exchanged from the latter for General Fund Bonds. Thus the General Fund receives payments which are not direct and which are effected through certain bookkeeping transactions. What happens is indicated in Table II, which shows the amounts paid into the General Fund from miscellaneous revenues and indirectly after transit through the sinking funds.²

Assessment of Property; Tax and Debt Limit

The property tax extends with certain exceptions to all real and personal property in the city.³ The assessment is predicated on what is presumed to be full value. The calculation of values is the work of the Department of Taxes and Assessments.

¹ The remaining forty millions go to special funds. See below, p. 53.

² The transaction is explained more in detail below, pp. 195 ff.

³ See below, p. 139.

The accuracy and completeness with which this task is carried out are of the utmost importance. The Department of Taxes and Assessment, through its determination of values, determines the proportionate amounts that individual owners must pay. More important than this, however, is the fact that the total values thus established determines the city's tax and debt limits. The State Constitution¹ limits the rate of taxes which may be levied for city and county purposes exclusive of interest and amortization charges on the funded debt, to two per cent. of the assessed valuation of real and personal property, subject to taxation for county and state purposes. The same section of the Constitution fixes the net amount of debt which the city may incur (with certain exceptions) at ten per cent.² of the assessed valuation of real property subject to taxation.

The Fixing of the Tax Rate

The Commissioners of Taxes and Assessment are required to complete their valuations by October 1. From this date until February 1 they are engaged in preparing tentative tax rolls and in considering taxpayers' protests.³ The tax rolls are transmitted to the Board of Aldermen and published in the *City Record* about March 1. The Board of Aldermen is required to meet on the first Monday in March to fix the tax rate.⁴ For this purpose a report is prepared for the Finance Committee of the Board of Aldermen by the Bureau of Accountancy of the Finance Department. This report assembles the following items (1927 figures are used):

1. TOTAL BUDGET	
For State Tax	\$12,622,697.53
For principal and interest on city's long term debt	97,756,554.71
For all other city and county purposes	364,514,047.76
Total	474,893,300.00

¹ Article VIII, Section 10.

² This involves a somewhat elaborate calculation and is explained more fully below, p. 208.

³ See below, p. 172.

⁴ Charter, Section 907.

2. THE COMPTROLLER'S ESTIMATE OF THE
GENERAL FUND¹ 80,910,238.51
3. Subtracting this from the previous total
leaves amount required to be raised by taxes 393,983,061.49
4. The assessed valuation of property liable to
taxation for city and county purposes
and State Tax² 14,837,821,953.00
5. To this must be added the general city and
borough assessments³ collected with the
property tax, amounting to 8,040,752.66
6. The necessary tax rates are obtained by di-
viding the assessed valuations of prop-
erty into the amounts required with the
following result:⁴

NEW YORK CITY TAX RATES—1927

FOR YEAR 1927	TAX RATE ON PERSONAL ESTATE	TAX RATE ON ESTATE NON- EXEMPT	ASSESSMENT RATES FOR LOCAL IMPROVE- MENTS	TOTAL RATES ON REAL ESTATE NON- EXEMPT	TAX AND ASSESSMENT RATES ON REAL ESTATE FROM LOCAL TAXATION
Borough of Manhattan: (County of New York)	.0266	.0266	.0004	.0270	.0013
Borough of the Bronx: (County of Bronx)	.0266	.0266	.0004	.0270	.0013
Borough of Brooklyn: (County of Kings)	.0266	.0266	.0007	.0273	.0016
Borough of Queens: (County of Queens)	.0266	.0266	.0007	.0273	.0016
Borough of Richmond: (County of Richmond)	.0266	.0266	.0003	.0269	.0012

¹ This General Fund for the reduction of taxation represents the aggregate of all miscellaneous revenues of the city not specifically pledged and therefore is deductible from the amount required to be raised by the property tax.

² There is also property (new dwellings) exempt from local taxation but subject to State Tax and Assessments. This is valued at \$916,512,915. See below, p. 149.

³ Explained below, p. 181. The different boroughs have their own assessable projects so that the tax rate differs from borough to borough.

⁴ The tax rates are expressed in terms of cents on each dollar of valuation and are rounded upward to the nearest hundredth, Charter, Section 900.

The tax rate on real and personal property is calculated as described in order to balance the budget. An absolute balance is secured only if all the taxes are collected, and this in practice is unattainable. Hence, tax deficiency appropriations are made in the budget to cover the estimated uncollected margin.¹

Temporary Borrowings

In addition to the expenditures provided for by the tax budget, the city cares for certain needs from the proceeds of temporary borrowings. Strictly speaking, there are four forms of temporary borrowings. Two are in anticipation of taxes or of long-term borrowings. Two are supplementary appropriations.

Taxes are not paid until May, but in January the city needs money to care for expenditures that have been authorized. Revenue Bills² are issued in anticipation of the collection of taxes. They run for sixty to ninety days and bear interest ranging from $3\frac{1}{2}$ to $4\frac{1}{2}\%$ depending upon the money market. In 1926 the city issued Revenue Bills to the amount of \$243,350,000. The interest on this sum amounted to approximately \$3,000,000. A substantial portion of this charge could, of course, be eliminated if taxes were due at the time the city began to spend the money. Offsetting this saving, however, would be the inconvenience to the taxpayer by reason of earlier payments. Too sharp an advance of the dates might give the city surplus funds which it would have to keep on deposit until needed for current expenditures.³ Corporate Stock Notes—the other form of anticipatory, temporary borrowing—are merely a convenient and economical method of furnishing money for projects to be financed from long-term bonds pending the issuance of the bonds themselves.⁴ The remaining two forms of temporary borrowings are of some budgetary importance.

¹ See below, p. 57.

² Charter, Section 187. The Charter permits the interchangeable designations of "revenue bonds" and "revenue bills." The city now issues only the latter. The Charter also provides (Section 186) for another type of revenue bonds to be issued to meet the city's payment of its share of the state tax and to pay certain charges against state school moneys.

³ The tax dates were advanced to their present positions in 1916.

⁴ See below, p. 187.

Special Revenue Bonds are issued to provide for what are essentially supplementary appropriations.¹ The Charter requires that such temporary obligations must be redeemed out of the tax levy of the next succeeding year and that the necessary appropriations must be made in the budget. Special Revenue Bonds may be issued:

1. To pay the cost of condemning unsafe buildings.
2. To pay charges audited by the Board of Estimate.²
3. To pay judgments recovered against the city.
4. To provide for the prevention of contagious diseases.³
5. To defray the cost of installing water meters.⁴
6. To meet deficiencies in the Street and Park Openings Fund.⁵
7. To pay lawful claims.
8. For general purposes up to \$2,000,000; this requires the consent of three-fourths of the members of the Board of Aldermen.
9. To meet certain emergency appropriations for the Health Department.⁶
10. To replenish the Fire Department Relief Fund.

Section 546 of the charter permits Special Revenue Bonds to be issued for snow removal purposes.⁷ They are also issued to meet certain mandatory expenditures, *e.g.*, for voting machines as required by the Election Law and for the expenses of the Transit Commission and Armory Board.

The most recent form of temporary indebtedness is Tax Notes which originated with the Pay-as-you-go Law in 1916.⁸ It is a question whether the intention was to establish them as a permanent form of temporary borrowing. Tax Notes resemble Special Revenue Bonds in that they must be redeemed in the budget of the next succeeding year. They may be issued for any capital project which commends itself to the Board of Estimate.⁹

¹ Charter, Sections 187, 188.

² These relate to cost to public officer in defending himself in a trial involving his title to office. Charter, Section 231.

³ Charter, Section 236, limited to \$80,000.

⁴ Charter, Section 475.

⁵ Charter, Section 174.

⁶ Charter, Sections 1177 and 1178.

⁷ See p. 185.

⁸ Charter, Section 169. See discussion in Chapter VII, pp. 209-214.

⁹ See below, p. 70.

It should be borne in mind in connection with all of these forms of borrowing, that *authorization* is not followed immediately by the borrowing of the money. The actual incurring of the obligation does not take place until cash is actually required to meet bills that have been presented. The Comptroller is permitted a good deal of discretion in the use of any cash he may happen to have in the city treasury, and may, therefore, effect savings by reducing idle bank balances at low interest rates.

It should be noted, however, that authorizations to the departments once made are good, unless rescinded, until used. Occasionally several years may elapse between the authorization and the issuance of the obligations. The Board of Estimate, therefore, frequently has before it only a fragmentary picture of the moneys which may have already been authorized for a particular department.

LONG-TERM BORROWINGS

The procedure which the city of New York follows when it borrows money for long improvements will be described in some detail.¹ Capital expenditures are not at the present time planned for in any comprehensive manner. Various projects are authorized from time to time during the year and the Tax Budget is adopted in November with no indication of the outlays which the city will make from the proceeds of the sales of its bonds. This is a matter of great importance in connection with proper budgetary procedure, long-term financial planning, and the education of citizens in the purposes of municipal expenditures.

The nomenclature used for New York's long-term indebtedness sometimes causes confusion. The Corporate Stock of the city is nothing more nor less than the ordinary garden variety of long-term bonds. Throughout the succeeding chapters, therefore, bonds will be used as including Corporate Stock, and (this is the city's custom) the phrase Corporate Stock will be used to refer to all of the city's long-term obligations. Strictly

¹ See below, p. 187.

speaking, however, there are three categories of long-term borrowings:

1. Assessment Bonds¹ are used to replenish the Street Improvement Fund and the Street and Park Opening Fund which defray the cost of paving, sewers, and similar improvements ultimately to be paid for by special assessments upon the benefited property.² Of the \$60,000,000 of Assessment Bonds outstanding, \$53,800,000 are held by the city's sinking funds.³

2. Serial Bonds were authorized as a substitute for Corporate Stock by a charter amendment of 1915.⁴ The difference between the two forms of indebtedness is to be found in the mode of redemption. A definite and usually equal number of an issue of Serial Bonds mature and are retired each year. The terms of these bonds were at first noticeably shorter than the terms of Corporate Stock, but the recent tendency has been to lengthen them. Sixty per cent. of the outstanding Serial Bonds have forty-year maturities.⁵ The city clings rather closely to Corporate Stock. Less than one-fourth of the debt incurred since 1915 is in Serial Bonds.⁶

3. Corporate Stock requires sinking funds in which will be accumulated sufficient money to pay off the principal at the date of maturity. The best system, followed for the most part by New York City, provides for the annual payment into the sinking fund of an amount known as an amortization charge. This is actuarially calculated to accumulate with interest a sum which, when the bonds mature, will equal their principal.

Apart from various special purposes, such as refunding,⁷ assessment deficiencies,⁸ and damages and awards, Serial Bonds or Corporate Stock may be issued upon authorization by the Board of Aldermen with the approval of the Board of Estimate only for revenue-producing improvements—that is, projects

¹ Charter, Section 181.

² See below, p. 183.

³ *Comptroller's Report for 1926*, p. 357.

⁴ Section 169, as amended by the Laws of 1915, c. 309.

⁵ See Table on p. 219.

⁶ See p. 197.

⁷ Charter, Sections 170, 235.

⁸ Charter, Sections 134, 173, 422.

having "a substantial present or prospective earning power."¹ This requirement—commonly referred to as the Pay-as-you-go Law—does not extend to schools and a limited number of special purposes. In practice the charter provision has been weakened by a liberal interpretation of "revenue producing."

New York City at present borrows annually more than \$100,000,000 through long-term obligations. There is thus a very substantial addition to the annual income and expenditures of the city, and an annual increase of the regular debt service charges. Table III indicates the receipts and (in summary fashion) the expenditures from long term borrowings during 1925 and 1926.

TABLE III
NEW YORK CITY'S BORROWINGS AND EXPENDITURES FROM BORROWINGS
1925 AND 1926

	1925	1926
BORROWINGS:		
<i>Unexpended Balance, January 1st</i>	\$2,951,064	\$2,253,885
Corporate Stock, Corporate Stock Notes, and Serial Bonds	106,033,000	116,937,925
Cash Refunds and Journal Adjustments	303,539	244,086
	\$109,287,653	\$119,435,896
EXPENDITURES:		
Rapid Transit	\$19,487,233	\$51,948,486
Water	9,390,087	7,925,868
Docks	6,808,106	2,032,765
Schools	43,875,456	17,969,900
Various Purposes	23,335,827	14,258,222
Replenishment of Assessment Funds	3,979,728	12,000,000
Refunding of Assessment Bonds		8,000,000
Journal Transfers	157,331	753,266
<i>Unexpended Balance, December 31st</i>	2,253,885	4,547,389
	\$109,287,653	\$119,435,896

¹ Charter, Section 169, as amended 1916.

The total amount of Corporate Stock authorized during the year was \$110,465,000. This would not, of course, correspond to the actual issues during the year because, as has already been explained, the issuance is not made until payments are actually necessary. Authorizations are good until used or rescinded. On January 1, 1926, for example, there was outstanding \$183,426,000 in authorizations against which no vouchers had been drawn. The net vouchers registered during 1925 aggregated \$96,141,000. There was a balance of \$156,554,000 of unused authorizations to be carried over at the opening of the year 1927.¹ This means that no bill had been presented in connection with these authorizations. In most cases, the work was already in progress.

New York City's debt structure, built of the materials which have been discussed, now reaches staggering proportions. On January 1, 1927, the gross funded debt (omitting General Fund Bonds) was \$1,760,993,786. The structure is complicated by numerous constitutional limitations and judicial decisions interpreting them. The chief complexities will be discussed in detail later. The structure is supported—so far as the non-serial bonds are concerned—by six sinking funds.

Enough has already been said to show that the financial administration and finances of New York City are not noteworthy for their simplicity. The main features of the financial administration have been listed. Their discussion has ignored other features of the governmental system which are not important from a fiscal standpoint. The government of the city as a whole is intricate. There are one hundred and sixty-five separate and independent boards, bureaus, and commissions which submit budget estimates to the Board of Estimate and Apportionment. The Mayor has a tolerably effective control over the strictly municipal functions of the city's government. Most administrative activities have been brought within sixteen departments whose heads the Mayor appoints. The only strictly adminis-

¹ These figures are from the *Comptroller's Report for 1926*, p. 183. There are certain cash refunds of \$150,386 and journal transfers of \$20,555,048 to the assessment fund which complicate the transaction but are too technical to be discussed here.

trative function entrusted to a board is that of subway building which is in the hands of the Board of Transportation. A few quasi-legislative or quasi-judicial functions are vested in such bodies as the Board of Taxes and Assessment, the Board of Assessors, the Board of Standards and Appeals, and the Civil Service Commission, which are not subject to unitary control.

There are, however, two groups of governmental units over which the Mayor has no direct authority. Five county governments each with its sheriff, register of land titles, county clerk, and surrogate, all independently elected, are supported from the municipal treasury but are not subject to municipal supervision. The appropriations of these county governments are to a considerable extent covered by mandatory state laws. Each of the five counties is also a borough with its borough president who is popularly elected. The Borough President has charge of highways, sewers, public buildings, and private building construction, and, in the case of Queens and Richmond, of garbage and refuse disposal. The Borough Presidents not only are not subject to control by the Mayor, but are also members of the Board of Estimate which votes appropriations. The taxpayer expects the Borough President to obtain money for his borough and at the same time demands that the Mayor keep the tax rate down. This matter is dealt with later.

In comparison with that of the city of New York, the fiscal structure of the national government is simplicity itself. The message of the President transmitting to Congress the Budget for the service of a fiscal year and the accompanying budget statements give the citizen a fairly intelligible idea of where the national government gets its money and of how that money is spent. The citizen of New York is not so fortunate, because of the complexities which have already been hinted at, and because the financial reports of the city do not enable him who reads to learn.

The most elaborate and complete report of any division of the city government is the *Comptroller's Report*—a bulky volume of almost four hundred folio pages. The Charter requires such a document to be published in the *City Record* within two months

of the close of the calendar year and in a general way prescribes its contents.¹

The arrangement of the report has been more or less standardized within the last ten years except as to the numbers or letters given to the various accounts and statements. The volume is remarkable for the fullness of the information it contains and the complete accuracy and precision with which it is compiled and published within sixty days of the close of the year with which it deals. The following abridged table gives some idea of its contents:

A summary of all cash receipts and payments.

A table of actual receipts and payments omitting *inter se* transactions.

Detailed statements of city treasury receipts by funds.

Further statements of miscellaneous receipts.

Statements "A" to "H," appropriation accounts for the budgets of 1918 through 1926 and separate statements for the Department of Education.

Summary of voucher and warrant actions on all active appropriation accounts.

Statements "M," "Q," "Q-1," "Q-2," "R," "R-1," etc., showing the operations of the General Fund, Special Revenue Bond, Tax Notes, Corporate Stock, Special and Trust Accounts.

Statements "U," "U-a," "V," giving the receipts, investments, and payments of the sinking funds.

Schedule "A," the city's bank balances.

Schedule "B," borrowings during the year.

Schedule "C," complete particulars of all outstanding indebtedness.

Statements "W," "X," etc., outstanding taxes, special funds, pension funds, etc.

Statement "DL" setting forth the constitutional debt incurring power on the first of the year.²

¹ The Charter, Section 161, requires the Comptroller to publish "within two months after the close of the calendar year a full and detailed statement of the receipts and expenditures of the corporation during the year ended December 31, together with the 'cash balance' in the city treasury and in the Sinking Funds"; also "the different sources of city revenue and the amount received from each, the several appropriations made, the objects for which they were made, and the amount of moneys expended under each, the money borrowed on the credit of the corporation, the authority under which each loan was made, and the terms on which the same was obtained clearly and particularly specified."

² A further statement is made, usually in April, after the new assessments are available, giving much valuable information about the city's debt.

Excellent as the *Comptroller's Report* is, it is nevertheless open to two criticisms. In the first place it fails to present a composite summary of expenditures either by departments or by governmental functions. To get a clear conception of all the money a department may have expended in the year, one would have to search through nine appropriation accounts and Special Revenue Bond, Tax Note, Corporate Stock, and special fund accounts. Secondly, except for a page relating to comparative budget totals and tax rates, the whole volume deals exclusively with the year for which it is issued and attempts no comparison with previous years. Indeed, in some instances cash balances and unexpended balances are not carried from year to year and one must refer to previous volumes for current operations. The whole volume is in strict accordance with the charter requirements, but the city's finances are not made understandable by the public. Intricate the city's finances are and intricate they are likely long to remain, but it is perfectly possible to present in a few pages a summary statement or two which will indicate the city's financial position and compare it with previous years.

Until 1922 this need was partly supplied by the *Financial Summary*, an excellent and thorough compilation presenting all the information that most inquiring citizens might want. The principal difficulty with that publication was its size and the delay in its appearance. Its size rendered it almost prohibitively expensive and appallingly dull, while the two years' delay in preparing it seriously diminished its usefulness. It fell finally of its own weight. Two things are to be learned from its failure. To be of genuine service a statement must be brief and readable, and it must appear about the time the budget is being considered.

On August 15, 1927, Comptroller Berry issued some tables which attempted for the first time to show in simple form the financial position of the city. He announced that the publication of such tables would be a permanent feature of the work of the Finance Department. "I feel certain," said Comptroller Berry, "that this statement showing how and where the city obtains the money for its support and the manner in which it is expended will be read with interest by thousands of our

citizens who have had no way of informing themselves on this subject. . . .

"The majority of our citizens are not to blame if they appear to be insufficiently familiar with the city's financial transactions, because information of this character has not been available in a form they can understand. The annual report of the Department of Finance, giving this information in a detail that requires more than three hundred extra-sized pages, is a formidable document that even the city officials are reluctant to analyze."¹

Persons not in the city's service are no less reluctant, but some analysis is nevertheless ventured in the following pages.

¹ *New York Times*, August 15, 1927.

CHAPTER II

THE PLANNING OF NEW YORK CITY'S EXPENDITURES

The form, content, method of preparation, and procedure of adoption of a municipal budget are matters of great importance. With the great growth in size and complexity of governmental establishments, the principal key to an adequate understanding of municipal activities is found in the budget documents. The surest aid to popular control of municipal officials is a proper budgetary machinery. The budget should list the multifarious activities of government so that their significance, extent, relationships, and cost may be understood. As in private corporations, proper budgetary methods are a great force for efficiency and economy. The inauguration of budget systems by the federal, state, and municipal governments has marked the abandonment of the happy-go-lucky way in which public finance was formerly handled.

Twenty years ago New York City took the initial step toward the establishment of the first municipal budget system in the United States. By 1913, however, the budget system of the city had practically reached its present form. This placed the city in a leading position at that time. Since 1913, however, New York's leadership in modern budgetary methods has been almost wholly lost. Since 1917 there have been modifications of detail, but no extensive improvements.

Meanwhile, however, improvements in the financial machinery and reports of other municipalities, and the experience of the federal and various state governments have suggested certain elementary essentials which should be found in any municipal budget system.

Four such essentials may be listed:

(1) The chief executive should be directly responsible for the preparation of a budget on the basis of estimates made by the operating departments. After the budget is approved by the legislative body, the executive should have broad powers to supervise the manner in which it is carried out.

(2) A proper budget system must furnish a complete statement of all income and expenditures.

(3) The budget should contain informational data in the form of charts, graphs, tables, etc., as explained below.¹ There must also be an appropriation ordinance—sufficiently detailed to make it certain that the intent of the appropriating authorities will be carried out, and sufficiently flexible to leave officials free to secure administrative efficiency and economy.

(4) A public budget must not deal solely with the receipts and expenditures of a single fiscal year. A budget should indicate those items which will require capital expenditures in the future, and if possible, the budget-making authorities should consider their capital programme when they prepare and adopt the annual appropriation budget.²

I. RESPONSIBILITY FOR THE BUDGET

An essential of an efficient budget system is the responsibility of the chief executive for the preparation of the estimates. To locate the responsibility for New York City's budget plan it will be necessary to describe in further detail the workings of the city's financial machinery.

Preparation of Budget Estimates

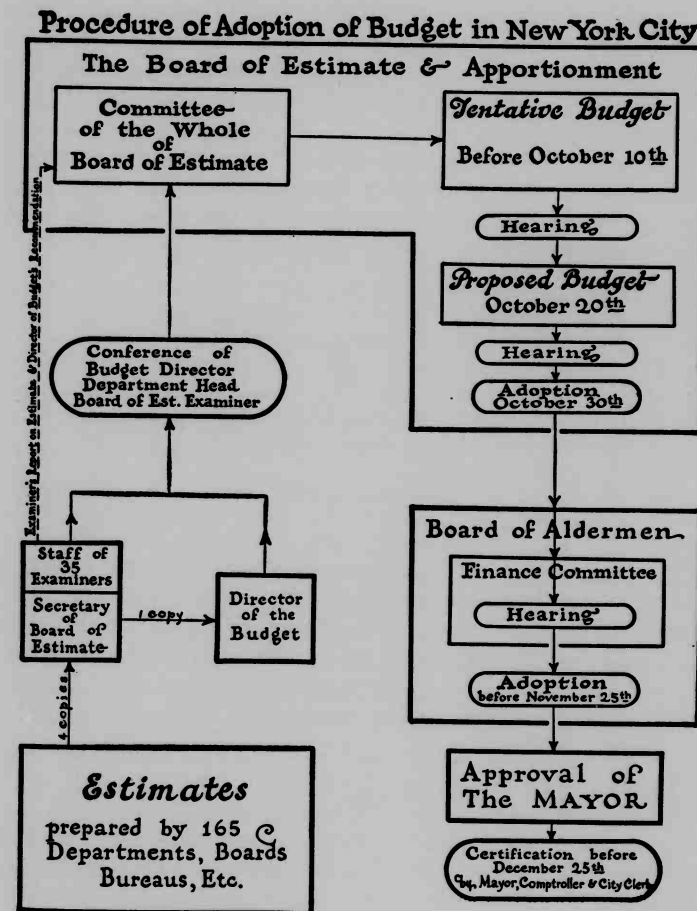
Early in the spring, the Board of Estimate and Apportionment directs the department heads to prepare their estimates for the next year and to have them available for return to the Board by

¹ See p. 66.

² Two other essentials are usually considered parts of an efficient budget system: (i) an efficient accounting machinery to prevent expenditures that are not in accordance with the law and (ii) financial reports of such a character as to permit citizens to obtain within the compass of a single document, a conspectus of the city's financial position,

July 10. This is done by a resolution of the Board (see Calendar No. 341, Board of Estimate, March 25, 1926). Some time later, the resolution of the Board is communicated to the department heads by the Secretary of the Board in a letter containing instruc-

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tions. These instructions are quite simple and brief, because there are few changes in procedure from year to year.

A pamphlet called "Budget Classification" was prepared about twelve years ago and has been reprinted from time to time with minor changes. The latest issue is that of 1919. This pamphlet instructs the department heads on the meaning of the various classifications and gives some illustrations of what may or may not be included under each. Where a department head is in doubt concerning the proper classification, a ruling may be secured by application to the Secretary of the Board of Estimate and Apportionment.

A sample set of forms accompanies the letter of the Secretary of the Board. The number of separate forms has been much reduced during the last ten years. The following forms were used for the 1927 budget:

- A. Personal service;
- B. Food supplies;
Supplemental, — Food supplies in detail;
- C. Supplies, 23 classes;
- D. Wearing apparel;
- E. Contractual services, etc., 14 classes;
- F. General repairs and replacements;
- G. Telephone service;
- H. Summary of other than personal service, and departmental summary.

The larger departments have their own preliminary estimate blanks, which their bureaus and divisions fill out and discuss at departmental conferences. The Board of Education has the most elaborate departmental procedure. Since education receives the largest single appropriation in the budget (\$107,000,000 in 1927) the Board's method of preparing its estimates should be described.

Department of Education Procedure

In March or April the directors of the various bureaus and activities in the Department of Education are required to fill out and return complete estimate blanks for personnel and supplies.

The department uses eight sets of blanks in the preparation of its estimates as follows:

- Form 9. Personal service — supervisory salaries; (Permanent positions, vacancies, and new positions showing period, schedule, rate, and amount.)
- Form 10. Personal service — teachers' salaries; (same items.)
- Form 11. Personal service — salaries; (same items.)
- Form 14. Personal service; (positions by titles, rates, amount.)
- Form 15. Personal service — salaries; (position or subject, number of sessions, rate per session, amount.)
- Form 17. Personal service; (location of classes, number of classes, hours per day, days per week, number of weeks, aggregate number of days, rate per day, amounts requested.)
- Form 21. Supplies; (item, quantity, number of pupils, number of classes, cost per unit, amount.)
- Form 41. Classroom equipment; (item, quantity, number of classes, number of pupils, cost per unit.)

These forms contain columns for the allowances for the current year in the case of salaries, and in the case of supplies the allowances for the current year, quantity used during the previous year, quantity used January to April of current year, and quantity in stock May 1 of the current year. This information is filled in before the blanks are sent out to the directors of the various activities. Forms 10 and 40 also contain columns for the distribution of new positions or new equipment, showing the school number and the amount requested. The blanks are furnished by and returned to the finance bureau of the Department of Education and the figures are checked by this bureau. The estimates are then examined by the Superintendent of Schools who goes over the items and conducts an informal hearing. His recommendations are entered in a special column on the forms.

The Finance Committee of the Board of Education consists of five members. This Committee holds sessions almost daily during the months of June and July. Sometimes these sessions last the entire day or through the evening. The directors of the different bureaus and activities are heard. An examiner of the

Board of Estimate and Apportionment is present during all these hearings and participates in the discussion. At the conclusion of the regular sessions an executive session is held. The examiner is given an opportunity to reopen the discussion of any decision which he does not approve. The examiner's report to the Director of the Budget and the committee of the whole of the Board of Estimate and Apportionment is made on the basis of conclusions he reaches during these sessions and through personal investigations. No other examination is made.

Toward the close of the sessions of the Finance Committee, the other three members of the Board of Education attend. The Finance Committee then becomes practically a committee of the whole. The estimates are then recast by the finance bureau into the form required by the Board of Estimate and Apportionment and the Finance Committee reports them out to the Board of Education itself after a series of executive sessions. The approval by the Board occasions little delay. These official estimates are printed in a large pamphlet of 123 pages called the "Board of Education Budget Estimates." This is sent to the Board of Estimate and Apportionment and is thereafter treated in the same manner as the other departmental estimates¹.

Examination of Budget Estimates

The Charter provides that department estimates shall be submitted to the Board of Estimate on or before August 1. Most departments return their estimates within the required time, but there have been instances where the estimates were not received in time for inclusion in the Tentative Budget, October 10.² The Secretary receives innumerable supplementary estimates in the form of letters asking him or the Board to amend this or that

¹ The estimates of the Board of Education are very carefully prepared. On the whole, the Board, in its effort to estimate expenditures, succeeds better than the other departments.

² The departments prepare five copies of their estimates which are distributed as follows: one to the Mayor, which is turned over to the Director of the Budget; one to the Comptroller; one to the President of the Board of Aldermen; and one to the Secretary of the Board of Estimate for use by the Examiners. The fifth copy is retained by the department. In practice all work from the printed estimates or proofs as soon as these are ready.

item or list of items in the estimates.¹ These supplementary estimates or requests are entirely unknown to the Charter. This situation would be improved if the Charter were amended to provide that if the estimate is not received by August 1, the Secretary be forbidden to receive it, and the Board prohibited from increasing the previous allowance. The Board of Estimate, or the Director of the Budget, if his powers were broadened, could adopt strict rules governing the submission of supplementary estimates and the Board could discourage inexcusable tardiness. Upon their transmission to the Secretary of the Board of Estimate, the departmental estimates are required to be printed in the *City Record*. In recent years this publication has been delayed until late in September. The 1927 estimates were published in three parts in the *City Record* for September 23 and 29, and October 2, 1926. These estimates should be available to the public and to civic organizations in sufficient time to permit careful examination. Printing should take place not later than September 1. As at present printed the estimates are in two columns showing the budget for the current year and the requests for the succeeding year.²

There are 165 separate departments, boards, and officers submitting budget estimates. The Secretary of the Board divides these up among the examiners. The assignments are prepared early in the year so that the individual examiners may know for what they will be responsible and may acquaint themselves with what is going on in these departments. The distribution is made with regard to function, experience, and volume of work. Personal service is separated from other estimates and assigned to individual examiners in the case of the larger departments, namely, police, fire, plant and structures, health, docks,

¹ Supplementary estimates are not printed in the *City Record* as is required by the Charter in the case of the regular departmental requests. If the supplementary estimates had to be published before they could be considered by the Board, their number would be greatly reduced.

² The "copy" for these departmental estimates is now prepared by the editor of the *City Record*. If (until such time as this system is superseded by an executive budget) the examiners of the Board of Estimate did this work, they could easily add explanatory and statistical data that would make the estimates much more informing, particularly in respect of extensions and added activities.

water supply, Borough Presidents of Manhattan and Brooklyn, parks, and one or two others. In the remaining departments some one individual examiner is responsible for the review of the entire departmental request.

So far as circumstances permit, the examiners are reassigned to the same duties year after year. In this way they acquire intimate knowledge of the operations of the departments and become acquainted with their officials. Their knowledge of departmental affairs is increased by their being engaged the year round in considering budget transfers, and applications for Tax Notes, Corporate Stock, and Special Revenue Bonds from the same departments. The examiners are generally in touch with the departments unofficially before the estimates are actually prepared. Except in the case of the Board of Education, the examiner, however, has no conspicuous part in making up the departmental estimate. The departmental estimates are permanently preserved. The notes and data gathered by the examiners are kept in envelopes according to departments for a year or two.¹

At present the examiners work under the joint supervision of the Secretary of the Board of Estimate and Apportionment appointed by it and the Director of the Budget appointed by the Mayor. The Director of the Budget has entire charge of their activities affecting the budget and budget transfers. During the time of budget making the examiners become practically the staff of the Director of the Budget. At other times during the year, they have their own responsibilities in connection with the work of the Board of Estimate and Apportionment.

A careful check is generally made of all the figures submitted in the budget estimates. An examiner also visits each department to discuss the estimates in detail. This procedure tends to become stereotyped. Attention is focused largely on the increases for which the departments make out their cases. The

¹ There may be room here for improvement by creating a confidential, well-catalogued file of budget information on the departments. Each examiner now has considerable information which is largely his own property.

thoroughness, ingenuity, and penetration of the examination depend largely upon the individual examiners. Very little of their work, however, could be called a cost data examination. The examiners are also handicapped by a lack of organization charts of the departments.

In the case of estimates or statements prepared by the Department of Finance with regard to debt service, or the actuaries' estimates for the various pension systems, no attempt is made to examine the figures except to prove totals.

When the examiner has completed his study of the estimates he confers with the Director of the Budget who summons to conference the department head concerned. The three then go over the estimates, the examiner setting forth his views, the department head and his assistants answering them, and the Budget Director expressing his opinion. At the conclusion of this conference, the estimates are printed on loose sheets with a column added for the Director's recommendations. These printed estimate sheets, including the Director's recommendations, are forwarded to the Committee of the Whole of the Board of Estimate and Apportionment.

The examiner then prepares a report on the departmental estimates and the Budget Director's recommendations, which is approved by the Director of Investigations and transmitted to the Committee of the Whole. These reports vary in size with the size of the department. They attempt to discuss all increases and reasons for them; but in few cases, if any, do they contain criticisms of the amounts asked by the department or proposed by the Budget Director.

Consideration and Adoption of the Budget

The Committee of the Whole, consisting of the entire membership of the Board of Estimate and Apportionment, with the Mayor presiding, holds hearings upon the estimates as printed. The members of the Board may be represented by a deputy, but avail themselves of the privilege to no great extent. During this budget work, a calendar is prepared of matters coming before each session. Matters not accepted are placed in a special budget

calendar which is usually taken up after the tentative budget is adopted. The proceedings are relatively brief.

The Board of Estimate and Apportionment, in practice, adopts the budget substantially as it comes from the committee. Section 226 of the Charter requires that a "tentative budget" be prepared in printed form on or before October 10. The Board then has ten days to revise this budget before filing it with its Secretary, which must be done on or before October 20. When the budget is filed, it is known as the "proposed budget." This may be decreased, but may not be increased or contain any new items. In 1926, the Board held four public hearings for taxpayers on the "tentative" and "proposed" budgets. These meetings were on October 14, at 2:30 P.M.; on October 15, at 11 A.M.; on October 25 at 11 A.M.; and on October 26, at 11 A.M. In all, about thirty persons appeared. Not more than twenty departmental requests were discussed. In actual practice, therefore, little but newspaper publicity results from these public conferences, and relatively little of that. At this final stage, most of the criticisms are of too general a character to be of much value. Those groups of individuals who are particularly interested and alert have made their desires known in the departments and in other ways long before this time.

The Board of Estimate and Apportionment is required to adopt the budget on or before October 31. In practice the budget is usually adopted on the last day, sometimes after stopping the clock.

The Charter requires that the budget be submitted to the Board of Aldermen within five days after its adoption by the Board of Estimate and Apportionment, and that the Mayor shall call a special meeting of that body which "shall continue from day to day until final action is taken thereon, but such consideration shall not continue beyond twenty days." The Board is permitted to reduce any item or amount in the budget, subject to veto by the Mayor, which may be overridden only by a three-fourths vote. The Board of Aldermen, however, has practically foresworn any part in budget making. Deliberations, so far from lasting twenty days, on some occasions last but twenty

minutes. The Finance Committee, to which the budget is referred, still adheres to the custom of holding hearings. The public is largely indifferent. The occasions since 1899 on which the Board has actually asserted its charter prerogatives in connection with the budget have been few. Not over four or five times in these twenty-seven years has the Board of Aldermen made any change. Mandatory items, of course, may not be reduced.¹

The Mayor must accept or disapprove the budget *in toto*, except for the veto of alterations made by the Board of Aldermen. He must act before December 25. The budget must then be certified by the Mayor, Comptroller, and City Clerk, and published in the *City Record*.²

The "Terms and Conditions" of the Budget

Each budget is prefaced by certain stipulations governing the use of the money made available. These are known as the "Terms and Conditions." Beginning in 1909 various resolutions have been included limiting the mode by which the budget may be altered after its adoption, particularly with regard to salaries and wages.

Former requirements relating to transfers, payrolls, and time records have disappeared and the present regulations are concerned largely with the filling of vacancies. The Board of Estimate has established two sets of compensation rates and apart from certain workers in the institutional departments who are specifically provided for, all vacancies have to be filled at the next lowest rate except on permission of the Board of Estimate. It is largely the operation of this clause that gives the \$2,000,000 of "accruals."

Every year's budget since 1910 has contained four clauses requiring that contracts and orders be based on standard specifications, and that the Comptroller, before registering the contracts or auditing orders, certify that specifications in contracts and

¹ For the mandatory items of the budget, see Appendix, p. 271.

² See *City Record*, December 14, 1926.

deliveries of goods on orders conform to the standard specifications.¹ In 1920 a fifth clause was added:

"Before advertising for proposals for work to be performed under contract and chargeable to the . . . Budget, where the cost thereof is estimated to be one thousand dollars (\$1000) or more, the proposed contract and specifications shall be submitted for approval to the Board of Estimate and Apportionment."

This is a desirable provision and might well be extended to include all purchases of equipment valued at more than \$1000.

A new section, in 1927, required the submission to the Board of Estimate of schedules of proposed repaving and of a Comptroller's certificate of the acceptance of the street before any contract could be let or money expended from the \$7,000,000 appropriated for paving. This is a sound procedure and there is no reason why it should not be used for all repair and equipment work and any extensions of old or initiation of new activities.

One noticeable shortcoming of these "Terms and Conditions" is the lack of satisfactory restrictions on the transfer of appropriations. The Corporation Counsel has ruled that such self-imposed limitations are nothing more than gentlemen's agreements and in no way bind the Board of Estimate should it later disregard them. The same ruling would doubtless be made in respect of the other resolutions contained in the "Terms." As suggested below, if a sound policy is to be worked out in connection with "accruals" or the inclusion of budget appropriations to supplant Tax Notes and various issues of Special Revenue Bonds, it is imperative that the Charter be amended to limit the power of the Board to transfer money among the four thousand codes in the budget. There would seem to be no reason why all of the rules now embraced in the "Terms and Conditions" of the budget should not be carefully revised and included in the Charter. Since the advent of home rule all but a small part of the Charter may be altered by the passage of a Local Law with the concur-

¹ See pp. 10-11.

rence of the Board of Estimate and the Board of Aldermen and the approval of the Mayor.

Appropriations that are not expended revert to the Tax and Appropriation Surplus and Deficiency Account. Each year, usually prior to October, the Board of Estimate makes a transfer of various unspent sums from the budgets of the preceding and previous years. Thus on October 28, 1926 the Board made transfers of \$3,281,738.86 from unneeded appropriations for the years 1910 to 1925. Unexpended appropriations, however, may, in the discretion of the Board of Estimate, continue as active appropriations for many years. Thus the *Comptroller's Report for 1926* (p. 158) shows appropriation accounts amounting to \$3,732,026 still open from the budgets for 1916 to 1925. It will be noted that, were accruals to go automatically into this Tax and Appropriation Surplus and Deficiency Account, they would very nearly balance it and obviate the tax deficiency appropriation.¹

What has been said is sufficient to show that responsibility for the preparation of New York City's budget is not definitely located in the chief executive. Responsibility is shared by the Board of Estimate and Apportionment, its staff, the Director of the Budget, and the Comptroller. Approval by the charter legislative body—that is, the Board of Aldermen—is most perfunctory. Quite different, for example, is the procedure in the national government. The estimates are prepared under the supervision of the Director of the Budget, appointed by and directly responsible to the President. The President assumes full responsibility by transmitting the estimates to Congress in a budget message. Congress then makes an independent and detailed examination before the appropriation bills become law.

The improvements possible in respect of New York City's budget system depend on how far structural change can be made. The real budget-ratifying authority in New York is the Board of Estimate and Apportionment. This is both a legislative and an administrative body. It is composed of the Mayor, the Com-

¹ See above p. 48.

troller, the President of the Board of Aldermen, and the five Borough Presidents. Persons who are heads of large spending departments thus have a considerable share in determining the size of their own appropriations. The presence on the Board of Estimate and Apportionment of members who are administrators and in effect the spokesmen of their borough-county organizations is conducive to log-rolling and coöperative extravagance.

The Mayor should assume full responsibility for the budget proposals, including those of the Borough Presidents, as submitted to the Board of Estimate and Apportionment. The Director of the Budget should continue directly responsible to the Mayor, and should be made a much more important official in the preparation of the budget. The entire budget preparing organization should be placed under his control. The Mayor would then be responsible for the financial plan of the city. The Director of Investigations and the staff of examiners now attached to the Board of Estimate (but working, as stated above, in coöperation with the Director of the Budget) should be transferred to the budget office. This office should have the standing of a city department. This would permit the Director of the Budget to be vested with powers of subpoena similar to those possessed by the Commissioner of Accounts.

The Director of the Budget should have broad powers of control subject to the Mayor's direction over the execution of the budget plan. He should be responsible for the examination and approval of the budget allotments during the year. He should have supervision over expenditures of the proceeds from Tax Notes and Special Revenue Bonds.

II. REVENUES AND EXPENDITURES

The so-called budget document of New York City is not a real budget. It is little more than an itemized appropriation ordinance. It contains no estimate of the income that is anticipated to meet the expenditures proposed. This statement should not be interpreted as a criticism of the officials who are concerned

with the preparation of the budget. They perform their work honestly and efficiently and in strict compliance with the provisions of the Charter. The criticisms expressed or implied in what follows relate to the procedure minutely prescribed by the Charter. Most of the improvements which seem desirable would require amendments to the Charter by the Municipal Assembly.

New York City now derives approximately 75 per cent. of its revenue from the general property tax. The remainder — about \$125,000,000 — comes from miscellaneous licenses, fees, subventions, etc. These revenues are considered in a separate chapter. They have, however, a connection with budget making, and must be briefly discussed here.

The State Constitution limits the amount which may be raised by the property tax for city and county purposes to 2 per cent. of the assessed valuation of property in the city subject to taxation. In order to keep within this 2 per cent. limit, it is necessary for the budget making authorities to have some estimate of the probable assessed valuations. They should also know what may be expected from miscellaneous sources of revenue. In practice, the Board of Estimate and Apportionment does have estimates of both, but they are quite unofficial and are not made public.

Of \$125,000,000 of miscellaneous revenues, \$80,000,000 goes to the General Fund, and the balance is pledged by law to specific objects. The amount available for the General Fund must by law be deducted from the amount to be raised by the property tax, and thus directly affects the city's status under the 2 per cent. tax limit¹. The official figure for the General Fund is not presented by the Comptroller until March 1, the day the tax rate is to be established. Moreover, in recent years the practice of furnishing a complete itemization of the revenues which go into this General Fund has been discontinued. The present practice is that only a total is presented. Failure to indicate in detail precisely how this total is obtained may be the cause of the sometimes rather considerable discrepancies that have arisen in the

¹ See above p. 24.

last decade between the amounts estimated and the amounts actually received.¹

These estimates are made at the time the tax rate is fixed, and appear in the Report of the Finance Committee of the Board of Aldermen, which is prepared by the Department of Finance. They are general estimates, unsupported by details to show where increases or decreases in revenue are likely to occur. Even the general estimates, as has been said, are not available to the public at the time of the adoption of the budget.

Expenditures from Special Funds

The present budget includes certain expenditures recoverable from specific funds or sources. It does this, however, in such a way as to obscure the actual operations of certain departments. Thus the 1927 budget includes the following items:

¹ The following table compares the amounts estimated at the time of the fixing of the tax rate with the balances resulting at the end of each year:

GENERAL FUND AND GENERAL ACCOUNT

YEAR	ESTIMATED RECEIPTS	ACTUAL REVENUE RECEIPTS	CASH BALANCE AT END OF YEAR	NET GAIN (+) OR LOSS (-) IN BALANCE
1914	\$43,235,935	\$40,707,859	\$103,564	.....
1915	40,831,063	41,983,169	3,233,694	+ 3,133,996
1916	37,996,936	41,203,238	1,540,101	- 1,896,849
1917	35,827,901 *	43,095,677	920,910	- 619,181
1918	38,233,016	48,937,890	3,575,258	+ 2,654,338
1919	43,831,760 *	55,827,764	7,145,657	+ 3,570,489
1920	60,020,647	75,063,818	7,720,739	+ 574,992
1921	63,216,718	72,123,396	6,769,341	- 953,398
1922	64,524,341	70,648,745	36,246	- 6,731,095
1923	**	79,840,831	7,904,241	+ 7,867,995
1924	64,669,241	83,371,228	10,711,275	+ 2,807,034
1925	73,592,504	92,662,767	10,342,111	- 369,163
1926	80,711,800	100,178,748	9,567,238	- 774,874
1927	80,910,238	.....	.....	.....

Note: The estimates of receipts given above were taken from the *Proceedings of the Board of Aldermen* on the occasion of fixing the tax levy each year. The actual receipts and cash balances are from the *Financial Summary for 1920* and the annual *Comptroller's Reports*.

(*) Estimate itemized.

(**) In 1923 no estimate was made and the entire 2% allowed by the Constitution was levied. The \$58,153,737 necessary to balance the budget was provided from the General Fund.

1. Law Department	\$ 224,623	Street and park openings fund.
2. Board of Assessors	59,200	Street improvement fund.
3. Borough President, Manhattan	730,312	
4. Borough President, Bronx	490,521	Corporate stock, tax notes, as-
5. Borough President, Brooklyn	1,016,206	essment bonds, and special and
6. Borough President, Queens	1,488,285	trust funds.
7. Borough President, Richmond	286,913	
8. Department of Education	23,806,954	State School moneys.
9. Department of Parks, Richmond	3,500	Corporate stock or tax notes.
10. Department of Health	75,316	Antitoxin fund.
11. Department of Water Supply	2,895,581	Water revenue.
Gas and Electricity	84,189	Corporate stock.
12. Department of Plant and Structures	290,000	Bridge revenue.
13. Department of Docks	196,035	Corporate Stock.
Total	\$31,747,635	

Of the thirteen items included above, 1, 2, 8, 10, 11 and 12 are to pay what are practically permanent staffs in the departments concerned.¹ Failure to include these items in the budget totals operates to obscure departmental expenditures. Thus the 1927 budget really provides for expenditures by the departments of \$31,747,635 more than the total of \$474,893,300.²

¹ There is no good reason why special funds like the antitoxin fund, bridge tolls, water revenues and school moneys should not go into the General Fund. The state school moneys (item 8) formerly went into the General Fund, to be transferred later to the Department of Education's appropriations account. This practice was abandoned in 1921.

² Departmental expenditures are also obscured in the so-called "budget summary" which is issued at the time the budget has been completed by the Board of Estimate. The budget summary is a single sheet, appearing at the time of the "proposed budget" (see below p. 62). It presents the figures of the previous year's budget (as changed by transfers to July 1), the department requests, the "tentative" and "proposed" budgets for the 165 operating units of the city in parallel columns.

The 1927 budget, for example, shows a departmental total of \$99,296 for the Board of Assessors, which is in charge of the assessment of improvements, as against \$92,370 in 1926; yet the budget summary indicates a decrease. This is because the street improvement fund allowance of the Department has risen from \$46,840 to \$59,200. The budget summary item of \$40,096 for 1927 is less than half of what the Board proposes actually to spend.

Occasionally the estimates of revenue differ greatly from the actual returns. Thus in the case of the bridge tolls received by the Department of Plant and Structures, the 1925 budget deducted estimated receipts of \$320,000 (Code 2761 TB) but the *Comptroller's Report for 1925* (p. 20) shows an actual receipt of \$306,847. This is not a bad estimate, but the record certainly does not appear to justify the inclusion in the 1926 budget of an estimate of \$390,000. That year the receipts fell to \$289,462 (*Ibid.*, p. 20). In order to carry the Williamsburg Bridge employees (1926) the Department was forced to draw upon the receipts of the municipally operated trolley line which crosses the bridge.

The present City Comptroller has gone even further. According to his summary of the budget's shortcomings there are fifty millions of annual expenditures which should be included. To quote him, in his address before the New York State Chamber of Commerce, December 2, 1926:

"If all the moneys that will be expended in 1927 (with the exception of funds raised by bond issues) were provided for, the budget would read as follows:

Present budget	\$474,893,300
For salaries of Transit Commission (1927)	750,000
For snow and ice removal (1926-7) (estimated)	2,500,000
For claims and judgments (1927) (estimated)	1,250,000
For non-revenue producing improvements (1927) (estimated)	8,750,000
Making a total of	\$488,143,300

"On the other hand, if the actual cost of every department, pension fund, or other city activity was shown, \$41,793,806.18 would have to be added to this amount, because nineteen city activities expend annually \$284,721,095.65 of which only a part is provided by budget appropriations, the balance of this amount being obtained by different city revenues which flow directly into the various departments, funds, etc. The Department of Education, for instance, receives more than \$23,000,000 of an appropriation from the state.

"The actual expenditure of New York City in 1927, outside of the cost of improvements financed by long-time borrowings — subways, hospitals, schools, etc., will be approximately \$530,000,000 instead of \$474,893,300 carried in the so-called budget of 1927."¹

It would seem, therefore, that the Comptroller is right in questioning the title of a document which neglects certain revenues, and omits 10 per cent. of the city's current expenditures.

The tentative budget fails to set forth the changes made in the previous year's budget by way of budgetary transfers, Special Revenue Bonds or Tax Note issues. Nor does the budget show what Tax Notes or Special Revenue Bonds the city proposes to issue. During 1926, accruals resulting from vacancies and positions filled at the minimum rates amounted to nearly \$2,000,000.

¹ *December Bulletin*, Chamber of Commerce, p. 28. It should be remarked that some of the items mentioned by the Comptroller are included in the 1927 budget in the form of debt service for the previous year's expenditures.

This money is available for any purpose to which the Board of Estimate and Apportionment sees fit to devote it. Some of the larger 1926 grants from this money were as follows:

Plant and Structures	\$29,599
Public Welfare	66,755
Health	92,000
Police	263,853
Fire	36,000
City Record	50,000
Lincoln Hospital	131,666
President, Borough of Queens	499,852

The result is that many requests which are rejected at budget making time reappear and obtain accrual moneys or transfers during the fiscal year.

The Board of Estimate and Apportionment is permitted, under section 237 of the Charter, to transfer money from any appropriation in the budget to any other appropriation. From 1913 to 1916 the Board set certain limitations on the transferring of salary money to other than personal service, or vice versa, but an opinion of the Corporation Counsel held that such limitations are merely voluntary and have no binding effect upon subsequent action by the Board. The amount of annual budget transfers during the last ten years has ranged around \$5,000,000, except for the years 1918, 1919, and 1920, when it went noticeably higher, reaching \$8,500,000 in the latter year.

The *Comptroller's Report for 1926* indicates the effect of transfers on the budget plan of that year. The total appropriation shown in the 1926 budget was \$437,000,000, of which \$407,481,417 was appropriated to the city government, and \$11,953,773 to the five county governments.¹ Transfers made in these appropriations during the year aggregated \$6,139,957. However, this does not indicate the far-reaching effect of the transfers on the appropriations of the various departments and agencies of the city and county governments. With the exception of the educational agencies and some minor activities, the appropriations of practically every department and agency were changed. Appropriations for the Board of Elections, the Department of Licenses,

¹ The balance is for state taxes.

the President of the Borough of Brooklyn, the Board of Ambulance Service, and the payments to private charitable institutions were slightly decreased. The increases were met by the transfer of \$550,000 from the appropriation for debt service, \$1,068,995 from the appropriation for miscellaneous city purposes (\$550,000 of this was for the purpose of equalizing salaries and wages), and \$1,587,396 from accruals.

The budget comprises 3804 codes. During 1926, 446 of these were debited, and 511 added to by budget transfers. Many of these relate to transfers from the \$1,000,000 fund set aside for salary adjustments, but only 110 seem to be definitely within this category. The total of the budget, of course, remained the same, but the budget plan for the year was materially changed by the wholesale transfer of appropriations, not only between items, but between organization units. The itemized appropriation bill as a means of financial control is inadequate when such a procedure is followed by the Board of Estimate and Apportionment.

There is need of a word of explanation with regard to the "accruals." The term is peculiar to New York City. There is a continual turnover among the city employees. When a given position is again filled, the new employee is generally appointed at a lower salary grade. The current salary appropriation covered the old employee with the higher salary scale, so that there is a saving in the departmental salary appropriation. If a position is left vacant, the salary appropriated for the position remains unexpended. In either case, the saving is known as an "accrual." The total undeducted accruals for a year are not an inconsiderable item, and may run as high as \$2,000,000.

The use of accruals has also led to budgetary confusion. In some departmental estimates they are accounted for; in others they are relied on to meet anticipated expenditures not always shown in the budget.¹ Many of the departments, with large

¹ Accruals are sometimes incorporated in the budget, e. g., (1925 and 1926 budgets):

PRESIDENT, BOROUGH OF MANHATTAN

Code 363	Care of Public Buildings and Office:
1.	Telephone Operator . . . at \$960 (10 months).....
2.	Attendant at \$1,500 (299 months).....
	(Accruals from Code 358 to furnish necessary funds for this schedule)

personnels, could calculate and deduct their accruals. The Department of Education, which makes the most precise estimates, deducted \$4,857,805 from its 1927 salary estimates. The Police and Fire Departments make slight estimates which amounted to \$325,000 and \$100,000 respectively in 1927 (budget Codes 1602 and 1656). The Department of Education accruals represent almost 5 per cent. of the salary appropriation, whereas deductions in the other departments are less than 1 per cent.¹

The Charter (Section 188, subdivision 8) makes definite provision for emergencies not anticipated in the budget. Under this subdivision the Board of Estimate may, by unanimous vote, upon recommendation of three-fourths of all the members of the Board of Aldermen, authorize the issuance of Special Revenue Bonds, except that the amount issued in any one year shall not exceed \$2,000,000. Accruals and budgetary transfers may be used for the same purpose by a majority vote of the Board of Estimate alone.

The Charter should provide that undeducted accruals should go into the Tax and Appropriation Deficiency and Surplus Account. If applied to this account, the present accruals would practically obviate the tax deficiency appropriation. Certainly transfers of accruals which are in effect evasions of Section 188 of the Charter should not be tolerated. If the \$2,000,000 provision for emergencies to be administered in conjunction with the Board of Aldermen, which that section provides, is not enough, it should perhaps be increased to \$3,000,000.

Financing of Current Operations by Borrowing

Besides the additions to departmental allowances made possible through transfers of accruals, various sums are made available through short term bond issues, principally Special Revenue Bonds and Tax Notes.² Some notion of the additions to the 1926

¹ It should be remarked that the proportionate turnover among teachers is probably much larger than among other classes of city employees.

² Special Revenue Bonds are one-year bonds, issued under authority of section 188 of the Charter for various special purposes therein set forth. They must be redeemed in the next year's budget. Tax Notes are likewise required to be redeemed within one year. They represent outlays for non-revenue producing improvements. For the difference between Special Revenue Bonds and Tax Notes, see above, p. 28.

budget through this borrowing may be gleaned from the following figures, taken from the *Comptroller's Report for 1926*¹:

The total amount of Special Revenue Bonds authorized under Section 188 and various other sections of the Charter and mandatory state laws during 1926 was \$22,041,865. The largest items were as follows:

Armory Board	\$ 280,099
Board of Transportation	3,636,059
Claims and judgments	3,423,039
Transit Commission	700,798
Department of Street Cleaning (mostly snow removal)	8,225,133
Fire Department (Relief Fund)	1,793,345
Borough President of Queens (mostly snow removal)	1,175,987
Voting Machines	579,968

Under subdivision 8 (the \$2,000,000 allowance for emergencies) \$1,924,939 of Special Revenue Bonds were authorized. Some of the larger items were:

Board of City Record	\$300,000
Department of Public Welfare	89,727
County Clerks	61,000
Department of Plant and Structures	285,000
Department of Correction	55,000
Police Department	603,100
Borough President of Brooklyn	60,900
Borough President of Queens	95,375
Registers	58,393

Besides these short term bonds, \$16,500,000 of Tax Notes were authorized during 1926 under Section 189 of the Charter. Among the larger items were:

Board of Transportation	\$ 380,195
Department of Plant and Structures	893,285
Board of Education	250,000
Department of Parks, Queens	249,000
Fire Department	463,000
Police Department	75,000
Borough President, Brooklyn	2,563,175
Borough President, Manhattan	3,045,236
Borough President, Queens	1,025,695
Borough President, Richmond	789,200
Borough President, Bronx	2,035,665

There are certain serious objections to the present method of financing expenditures by borrowing. In the first place, many of

¹ Pp. 165, 175 (Special Revenue Bonds); 231 (Tax Notes), and 182 (Corporate Stock).

these expenditures, financed through Special Revenue Bonds and Tax Notes, and in some cases through Corporate Stock,¹ should appear in the budget. One or two inadequate attempts have been made this last year to include such items, but upwards of \$25,000,000 will probably be spent during 1927 for which no provision was made in the budget. There is thus an absence of effective planning of these expenditures, and the operating costs of various departments are obscured.

The Board of Estimate has just resurrected the Tax Note budget, which died almost at birth in 1914. The present procedure is simple and short. In December of last year the departments were called upon to prepare their requests. These were printed in a calendar and considered in executive session of the committee of the whole on February 11. Allotments amounting to \$12,000,000 were recommended to the Board of Estimate and Apportionment. This was the first of several such allotments, but it at least required competitive projects to be considered in some relation to one another. The restoration of the Tax Note budget, however, will not cure several of the most important difficulties in connection with this financing through short term borrowings. The difficulty, as has been said, is that these expenditures do not appear in the budget of the year in which they are made. When they appear in the following year's budget they are embraced under redemptions and debt service, and there is no indication of the purposes for which the issues were made. Thus during a winter as much as \$5,000,000 may be spent for snow removal. This money will be obtained from Special Revenue Bonds, and will be included in the debt service items of succeeding budgets. Secondly the practice of borrowing money and paying it back the next year adds an interest charge amounting to approximately \$2,000,000.

New separate authorizations after the adoption of the budget frequently so result. There is a tendency to adopt separate personal service schedules, chargeable to these funds. Persons given employment on improvements paid for by Tax Notes and Special Revenue Bonds are not always impressed with the fact

¹ Many departments support permanent staffs through Corporate Stock funds.

that their employment is purely temporary. They come to regard themselves as permanent employees, and when the Tax Note or Corporate Stock funds are exhausted, strong pressure is exerted to find new work for them to do.¹

Many Special Revenue Bond items which appear trivial, involve permanent and occasionally large items in subsequent budgets. Frequently new activities are introduced through Special Revenue Bonds or the transfer of funds and become fixtures in the budget. For example, the Board of Child Welfare started with less than \$100,000 (from Special Revenue Bonds) and now receives an appropriation of over \$5,500,000. It is doubtful if the Board of Estimate gives Special Revenue Bond appropriations, transfers of funds, or modifications of schedules the same care and attention that it bestows upon the budget itself.

If, however, tax-note and snow removal appropriations are to be provided for in the budget — that is, in the current year's budget and not in the following year's budget under temporary debt — it is particularly important that provisions be inserted in the Charter to prevent the diversion of these funds by transfer to other purposes. Such matters should also be carefully scheduled in terms of work proposed to be accomplished.²

¹ What should be done about this situation is not certain. A feasible plan might be the adoption of an elastic schedule in connection with the budget. Such a schedule could be expanded to meet additional work as it becomes necessary. Perhaps some of the work could be done by contract rather than by the city and borough departments themselves. The point here is not how efficiencies and economies may be secured. The point is simply that the budget document of the city fails to tell the whole story in respect of expenditures.

² Snow removal is a difficult budgetary problem. The amount of snow which falls in the city varies greatly from winter to winter. Weather conditions vary as well, so that the cost of snow removal may go as high as five million dollars (1925-26) or it may be as low as one million dollars. The snow period, moreover, includes parts of two fiscal years and the handling of the problem is not centralized. The Borough Presidents have jurisdiction over it in Queens and Richmond and the Department of Street Cleaning in the remainder of the city. In recent years two Commissioners of Accounts have felt compelled to investigate these expenditures.

As has been said, no attempt is made to provide for snow removal in the budget. The cost both of the work and of the equipment has been financed solely through the issuance of Special Revenue Bonds under authority granted by Section 546 of the Charter. The only relevant provision in the budget relates to the redemption of Special Revenue Bonds issued during the previous year. No indication is given in any of the budget documents as to the amounts which pertain to snow removal. It should be noted that the equipment purchased with these bonds is

Some changes that might be made in the content of New York City's budget are indicated in the discussion above. The budget should estimate all miscellaneous receipts of the city, and should show what tax rate will be necessary, on the basis of the assessed valuations, to meet the proposed expenditures. The budget should also indicate what projects it is proposed to finance from long-term bonds. All of these matters should be formalized and presented to the Board of Estimate so that the budget document will give a complete picture of the financial situation at the time the budget is adopted. This question is discussed further in Section IV.

III. THE BUDGET DOCUMENT AND THE APPROPRIATION ORDINANCE

The purpose of a budget should be to furnish information and to serve as a means of planning the expenditures and revenues of a given year so that they will balance satisfactorily. The purpose of an appropriation bill is to enact into law the general outlines of the final expenditure plans adopted, to establish responsibility for their execution, and to control general policies. Though these purposes are closely related, they are distinct, and experience shows that they cannot be satisfied with a single document.

Present Budget Documents

The expenditure estimates for New York City appear in the following printed documents:

(1) *The departmental estimates.* These are printed separately in the *City Record*, though in the last few years the printing has

frequently available the year round and in some cases it appears that the departments count on snow removal money to meet their equipment needs. Financing snow removal by one year bonds adds an interest charge that may run to \$200,000.

It is highly doubtful if it would be wise to appropriate for snow removal in the Budget. If it is decided to do so, provision should be made that moneys not needed shall revert to the Tax and Appropriation Deficiency and Surplus Account. In any event an attempt should be made to report on snow removal in terms of the actual work accomplished and the circumstances of the weather. It would seem that the snow-removing departments should be required to make a detailed report to the Board of Estimate some time in April or May of each year on the whole snow removal period.

been almost too late to make the estimates available for scrutiny by the taxpayers in advance of the budget discussion. As printed, these estimates show the allowances for the previous year and the requests for the coming year. These estimates do not show the previous appropriations as modified by transfers nor do they show what other money the departments may have had from Tax Notes or Special Revenue Bonds.

(2) *The "tentative budget."* This adds to the departmental estimates an additional column showing the allowance tentatively recommended by the Board of Estimate. In practice, these amounts are substantially the figures suggested by the Director of the Budget. The tentative budget must be printed by October 10, and is subject to increase. Public hearings are held, revisions made, and the budget is then issued as:

(3) *The "proposed budget."* From this time on, according to the Charter, no further increases may be made. The proposed budget contains a fourth column. It now shows the last year's appropriations, the departmental requests, the tentative allowances, and the still further revised "proposed" allowances. The proposed budget is printed by October 20. In each copy is inserted a loose page containing an expenditure summary. The summary shows the same columns as the proposed budget, giving only the totals for each of the 165 operating units. In the 1927 "budget summary," the first column was altered to show the 1926 budget as modified to July 1, but not including accruals or special revenue bonds. The proposed budget is completed by October 31. It represents the final recommendation of the Board of Estimate and goes to the Board of Aldermen for final adoption. When adopted it becomes:

(4) *The budget*, so called, which is the appropriation ordinance passed by the Board of Estimate and Apportionment. This budget is then printed in the *City Record* in pursuance of the charter requirement. The Board of Aldermen must act on the budget, or ordinance, before November 25. A month or so later a smaller and handier edition of the budget is prepared. To this edition are added, in the front, tables showing the amounts for each of the budget classifications. As a forty-odd page appendix

to the volume there is added the Comptroller's debt service statement. This is not presented in detail at budget making time. An elaborate supporting schedule, however, arrives in time for inclusion in the final printing of the approved budget. The following tables are included:

1. Amount of bonds maturing in the current year.
2. Interest on existing debt and estimate for new debt.
3. Debt classified by purpose.
4. Debt classified by rate of interest.
5. Basis for the Tax Deficiency Appropriation or bad debt account.
6. Budget accounts since 1905 with operating sheet and balances.

An effort should be made to have available, when the budget estimates are being discussed by the Committee of the Whole, data such as the above rather than the mere totals which must be included in the budget. Moreover, debt service is the second largest item in the budget. It amounts to \$137,356,554 in 1927.¹ The statements which are included have not since 1921 shown the purposes for which Tax Notes and Special Revenue Bonds have been issued. Failure to show in detail the nature of this temporary debt which is being redeemed, and for which department and for what purpose it was issued, serves to obscure the purposes of these city expenditures. As has already been indicated, a considerable amount of this short term borrowing could be eliminated. It is nevertheless important to indicate what is being redeemed, for if attention is focussed on these items, greater care may be exercised in following years. It would be wise to include also in connection with each department's appropriation the debt service for temporary and permanent debt incurred in its behalf, *e.g.*, ferry and trolley bonds in the Department of Plant and Structures; dock bonds in the Dock Department; and school bonds in the Department of Education. This should not take the place of the active appropriations for debt service which should be assembled at one place

¹ That is, 97 millions for the long term debt and 40 millions for interest on and redemption of the short-term debt. See below p. 214.

in the budget, but should be added merely to show complete departmental operating costs.

The 1926 debt service estimate seems to have exceeded the actual requirements by \$550,000. This sum was subsequently transferred by the Board of Estimate to the Police Department.¹ It should be noted that any estimate made for debt service on the permanent debt is not subject to the two per cent. constitutional tax limit. A number of years ago one of the debt service accounts was deliberately used to protect an appropriation from a hostile Board of Aldermen.² This possibility offers an additional reason for incorporating in the Charter restrictions upon transfers.³ Any surplus resulting from an over-estimate of debt service needs should certainly go automatically into the Tax and Appropriation Deficiency and Surplus Account. If there is one estimate that can be made in itemized form, it is that for debt service.

The Comptroller no longer submits a detailed schedule of the \$800,000 which the city pays out in rents. Such a schedule was rarely on hand when the estimates were being considered, but it was formerly included in the papers published with the Board of Estimate minutes when the budget was adopted on October 31. This schedule should appear in full with the estimates and in the budget document. It is important that the Budget Director should have such information. It is not now available. The

¹ Except for \$50,000 which was transferred to the Finance Department.

² The 1913 budget was somewhat mutilated by the Board of Aldermen. The City Administration knew that an appropriation for salary standardization had no chance of being approved, and so it was not included in the budget. At the first meeting of the Board of Estimate during the year 1913, the Committee on Standardization of Salaries and Grades presented a communication which read in part: "No provision was made in the Budget for 1913 for continuing the work of the Committee on the Standardization of Salaries and Grades, of the Board of Estimate and Apportionment. The work is now well under way and considerable progress has been made. In order to continue to the achievement of definite results, it is necessary to provide funds for the Committee." The Board of Estimate therefore approved the transfer of funds appropriated for 1913 as follows: "From Debt Service, Interest: 108. Interest on Bonds, Stocks..... \$50,000, to Department of Finance: 93. Contingencies, Work of Committee on Standardization..... \$50,000." Whether the \$2,000,000 debt service item from which the \$50,000 was taken had been increased to allow for this transfer does not appear from the record. *Minutes of the Board of Estimate and Apportionment of the City of New York*, January 9, 1913, p. 324.

³ See p. 56.

Comptroller certifies to the reasonableness of rental charges. The power to approve leases is now vested in the Sinking Fund Commission. It is an appropriating function and should be transferred to the Board of Estimate because these leases commit the city to a definite obligation. The Board could require that the Director of the Budget investigate the need for the lease and that the Real Estate Division of the Finance Department report on the reasonableness of the proposed rental. The appropriation for rentals asked for in the budget should be based on detailed schedules showing the leases arranged by departments, their locations, terms, dates of expiration, and annual rates of payment. Information as to rental charges should be shown by including a rent code in each department's budget, as was suggested in regard to debt service.

Likewise the statement of tax deficiencies should be submitted in support of the sum included in the budget for that purpose.¹ The details are not available until the budget is finally printed during the following January. There seems to be no good reason why they could not be estimated in September.

The documents that have been listed are the only sources of information for the citizen. They are too scattered to be of any real use. A layman may always have some difficulty in unravelling the tangled skeins of a detailed financial statement, but such a statement should be at least available, and an effort should be made to have it as intelligible as possible. New York City furnishes no financial statement at the time the budget is made. The informational side of New York City's budget is almost entirely lost sight of. The only attempt now being made to present budget information in easily assimilable form is to be

¹ This appropriation is required by Chapter 209 of the Laws of 1906 as amended by Chapter 220 of the Laws of 1917. In 1926 the account stood thus:

Losses		Gains	
Discounts for prompt payment of taxes	\$5,548,665	By appropriation	\$71,239,206
Taxes cancelled by courts 1905-1924	51,773,428	Gain and losses in taxes	7,105,170
Uncollectable taxes 1905-1924	52,700,000	Surplus appropriations	20,255,321
		Miscellaneous	4,890,515
		Deficit	6,531,879
	\$110,022,093		\$110,022,093

The deficit is made up by transfer of surpluses from previous years appropriations amounting to \$3,281,738 and a "tax deficiency" appropriation in 1927 budget of \$3,250,000.

found in four pages of tables prepared by the Bureau of Accountancy of the Department of Finance and published at the end of the handy edition of the budget, which, as has been said, is issued in January, *i.e.*, after the budget has been finally adopted. One of these tables summarizes the total tax budget appropriations by assembling into one group the appropriations of each department or division of the government whose functions are akin, and shows the percentum which each group total bears to the total amount of the appropriations for all such purposes. These tables, however, are not available at budget making time, when they would be of most use.

When the budget is being made its informational aspects are almost ignored. It should, nevertheless, be possible to present much useful information in connection with the budget document. Included in it there might be operation data, tables of per capita and unit costs, and graphs and charts, not only of revenue and expenditures, but of population growth and departmental services. There might also be maps of service areas and much other useful information designed to give both citizens and the appropriation granting authorities a complete picture of what is being proposed. The budget of the national government, for example, contains several pages of chart presentations showing the divisions of appropriations by organization units and government functions, and classifying estimated receipts by sources of revenue. The national budget is presented to Congress with a message from the President discussing in general terms the financial policies of the government. Likewise the city budget should be summed up in a message from the Mayor. This message, prepared in simple form, could be given much wider circulation than is possible for a technical budget document.¹

From this brief summary of the various documents which represent the so-called "budget" in its successive stages, it will be

¹ In 1915, Mayor Mitchel prepared a message on the budgetary requirements of the Mayor's departments, showing their relative growths and explaining the projects for the coming year. This was published as a pamphlet, and was ready in August of that year. The experiment was not repeated. In 1917, five *Tax Budget Bulletins* were prepared by Comptroller Prendergast for popular consumption, but this experiment also was not attempted again.

seen that there are some serious omissions. It will be seen also that there is a mass of repetitious and unnecessary printing, even though much of the matter is kept in type through succeeding stages. Without increasing the costs of preparation or of publication,¹ provisions could easily be made for a real budget.

In other words, the budget document should be a summary statement, showing the complete expenditure requirements of the city, borough and county governments, and the means of financing these requirements. The statement should show the expenditures of the operating units of the city government for the previous year. Such a summary statement should then be supported by a number of detailed schedules showing the distribution of expenditures by funds, organization units, and objects. Such a budget should be widely distributed. It would attract public attention, and greater scrutiny could be given to the city's financial problems.

The Appropriation Ordinance

As an appropriation ordinance, the New York City budget is on the whole minutely detailed. But in this respect it is not completely consistent. Thus the 1927 budget contains such items as the following:

Code 3040, Board of Transportation, \$5,000,000; code 3068, readjustment of salaries, \$1,000,000; code 3069, equalization of wage rates, \$1,500,000; code 3071, repaving, \$7,000,000; code 2985, printing, stationery and blank books, and publication of *City Record*, \$1,472,000.

No information is given as to precisely how these large sums are to be distributed. Some county offices insist that since their appropriation is mandatory they are under no obligation to furnish the Board of Estimate with adequate information. There

¹ The present budget documents cost more than \$75,000 a year to print. Much valuable information was formerly contained in the Financial Summary prepared by the Division of Accountancy of the Department of Finance. The publication of this document, which appeared more than a year after the financial transactions with which it dealt, was abandoned under Comptroller Craig in 1921. The proper time for the publication of such a summary, however is in August or September when the budget document is being prepared.

are also large lump sums appropriated for various public and quasi-public educational corporations with which the city has contracts.¹

All departmental appropriations, irrespective of their purpose or whether they be mandatory or discretionary, should, as long as the existing appropriating system remains, be accompanied by a schedule showing in some detail the manner in which it is proposed to spend the money. The present lump sum appropriations throw little or no light on the manner in which the money will be spent. Experience has shown that these lump sum appropria-

¹ The relation of the city to the quasi-public educational agencies to which it appropriates money, needs some clarification and standardization, particularly in the matter of budgetary control. Certain of these corporations receive huge lump sums which are accompanied by no operating schedules.

The following table from the 1927 budget illustrates the confusion in this matter:

LUMP SUM APPROPRIATIONS		
Code		
1070	Salaries and Expenses, New York Public Library	\$1,413,315.00
1186, 7	New York Public Library, Building Maintenance and Repairs	87,500.00
1080	Brooklyn Public Library, Salaries and Expenses	787,270.00
1260	New York Botanical Garden, Salaries and Expenses	230,000.00
1000	College of City of New York, Personal Service	1,488,695.90
1025	Hunter College of City of New York:	
	Tax levy allowance	1,218,155.24
	Estimated fees	96,000.00
	Personal Service	\$5,320,935.24

(Note: Appropriations for City and Hunter Colleges for other than personal service, amounting to \$168,067 and \$157,850 respectively, were made on the basis of itemized estimates.)

ITEMIZED SCHEDULE		
1190-2	Metropolitan Museum of Art:	
	Tax levy allowance	\$420,950.00
	Museum Funds	388,572.75
	Departmental total	\$809,522.75
1205, 6	American Museum of Natural History:	
	Tax levy allowance	410,375.00
	Museum Funds	122,583.00
	Departmental total	\$532,958.00
1195-200	New York Zoological Society, New York Aquarium, Departmental total	65,228.00
	Brooklyn Institute of Arts and Sciences:	
1340, 41	Central Museum, Department total	218,312.00
1350, 51	Children's Museum, Departmental total	23,380.00
1360, 61	Botanic Garden, Departmental total	87,948.00

These agencies are essentially similar in their relations to the city. Practically all of them have private funds which are in no sense city moneys. The Museum of Natural History and the Metropolitan Museum of Art include in their schedules certain expenditures to be met in part from Museum funds amounting to \$122,583, and \$388,572 respectively. There seems to be no good reason why the other organizations receiving large donations from the city should not submit some kind of work programme or schedule in connection with their requests.

tions increase more rapidly than do scheduled appropriations. Moreover, a lump sum appropriation operates at present to give a department all accruals within the sum which may be expended without any supervision from the Board of Estimate.

Apart from the lump sum appropriations just mentioned, most of which are quite recent, the city budget is minutely detailed. It contains 3804 codes. Many of these codes are subdivided into twenty lines or more, each apparently carrying an appropriation. The Board of Estimate takes the attitude that the code only is the appropriation, and modifies the lines or schedules freely. There may be some doubt as to the legality of this practice.¹ Strictly speaking, the Board of Estimate is permitted to transfer money from any appropriation to any other appropriation, but it is not permitted to introduce a new appropriation into the budget. In the adding of lines to codes the Board comes close to doing this.

The budgets (appropriation ordinances) for 1918, 1919, and 1920 were prepared in a somewhat different form from those of other years. The totals appropriated for salaries, equipment, supplies, etc., were separated and included in the first part of the volume in the form of an appropriation act. The second part of the volume contained the supporting schedules in complete detail. This form was abandoned in the 1921 budget, and the completely itemized budget was returned to. In 1925, the Board prepared to adopt the budget in the earlier form of an appropriation and supporting schedules, but at the last moment objection was made and the entire document was enacted, though in form the departmental summaries and the schedules are separated. Later budgets have reverted to the old form.

IV. CAPITAL PROGRAMME AND CORPORATE STOCK BUDGET

The municipal budget, as has been said, should not deal solely with the receipts and expenditures of a single fiscal year. It is essential to see the budget's figures in the light of past experience. It is essential also that a budget be prepared in the light of the city's future needs.

Charter, Section 237.

An innocent-looking appropriation of \$500,000, say, may be for the preliminary work on an improvement that may require \$5,000,000 before it is completed. A municipal budget should indicate that more than the \$500,000 will be necessary. A citizen desiring to know the significance of such an item should not be forced to make extended researches in order to discover its importance. A budget, in short, should show the continuity of the city's financial history to the extent that this is possible. The informational budget should earmark appropriations which will require future capital expenditures. Estimates of the probable total costs should be made and noted. Figures should be given, at the time the bill is prepared, of probable requirements on future dates for the capital costs of projects under way.

Borrowing Procedure

The procedure now followed in the authorization of capital expenditures and the raising of loan funds is briefly as follows: The various departments of the city¹ submit to the Board of Estimate, at various times during the year, and particularly in December, their requests for given amounts of Corporate Stock or Tax Notes for the permanent improvements which they desire. These items are placed either on the current calendar or else on a special annual calendar printed early each year. As the new items are added, the calendar is revised or supplements to it are prepared. Items are picked from the calendar and acted on by the Board from time to time during the year. No special order is followed in the consideration of the items, nor is the attempt made to formulate a programme or budget of capital expenditures for the year.² Some items appearing on the calendar are never considered. Others are considered only in a modified form. The departments may revise their requests upward or downward or substitute new items for old. Authorizations are thus made in a piecemeal fashion, and not at one time as with tax budget expenditures.

The authorization by the Board of Estimate is final in the case

¹ The Military Law provides a special procedure for the Armory Board.

² Some years ago such an attempt was made, but it was soon abandoned.

of corporate stock for new water supply, transit, and school purposes, for water distribution (up to \$2,000,000), for dock purposes (up to \$5,000,000), and for certain special purposes specified in Section 169 of the Charter. The Board has final authority in issuing Serial Bonds, Tax Notes, and Assessment Bonds. In the few remaining instances, the concurrence of the Board of Aldermen is required.

In no instance are authorizations of capital expenditures and loans initiated in the Board of Aldermen. The Sinking Fund Commission, however, initiates long-term bonds for docks and for ferries. The Dock Department and Department of Plant and Structures submit such requests to the Sinking Fund Commission and they then go to the Board of Estimate.¹

The city is not required, as has already been pointed out, to issue bonds and have the cash in hand before proceeding with the execution of the improvement. The authorization itself is considered to be an appropriation and equivalent to a provision of funds.² Specifications may then be prepared and contracts awarded.³ The obligations under these contracts are charged against the authorizations of the issue of bonds and are included in the computation of the indebtedness of the city as "contract liabilities."⁴ When these obligations become payable, *i.e.*, when the bills are presented by the contractors, money is secured by the issuance of Corporate Stock Notes which mature within a period

¹ The requests of the Armory Board are also submitted to the Sinking Fund Commissioners whose decision is final. The bonds which they authorize, however, are Special Revenue Bonds as provided under the Military Law. This is the only case in which Special Revenue Bonds are issued in the city for capital improvements. The bonds are redeemable from the next year's taxes and are similar in their effect to the Tax Notes.

² Under Section 149 of the Charter, no contract other than one payable from assessments is valid unless certified by the Comptroller to the effect that there is a balance of the appropriations or funds applicable thereto sufficient to pay the estimated expense of executing such contract.

³ In a few cases the city is its own contractor and does the work by departmental labor. The procedure in these cases is somewhat similar to the one described below, except that no contract liabilities in these cases are entered.

⁴ The obligations under the acquisitions of land are charged against the indebtedness only after title in the land has been vested in the city. The cost of the land is estimated on the basis of its assessed valuation. Interest on the estimated value is included in the computation of the cost.

not to exceed one year. These, in turn, are converted into long term stock.

The entire procedure of authorizing capital expenditures and bond issues, other than those involving the acquisition of land, may be summarized as follows: (1) requests by departments made to the Board of Estimate either directly or indirectly; (2) authorizations by the Board of Estimate alone, or with the concurrence of the Board of Aldermen; (3) awards of contracts and the incurrence of "contract liabilities" thereunder; (4) issuance of corporate stock notes in liquidation of these obligations, and (5) conversion of these notes into long term bonds.

A somewhat different procedure is followed for the acquisition of land. The department needing a particular improvement usually selects the site and requests the Board of Estimate and Apportionment to acquire it. In some cases—*e.g.*, libraries, court houses, and incinerators—the Board of Aldermen approves the selection and the Board of Estimate then concurs. Sites for docks, ferry slips, and water front improvement are considered by the Sinking Fund Commissioners before they go to the Board of Estimate. The Charter has various provisions for the filing of plans and the holding of hearings on proposed acquisitions before final action is taken.

Every resolution passed by the Board of Estimate authorizing the acquisition of a given site contains a clause permitting the Comptroller to purchase the property at a private sale as an alternative to condemnation. Owners of property, however, invariably prefer to have the property condemned. The condemnation proceedings are conducted through the Corporation Counsel. The city applies to the court for an order for the condemnation of the property. When such an order is obtained, the Board of Estimate may, by resolution, vest title to the property in the city. Thereupon the department can enter on the property and use it for the purpose for which it has been acquired. The acquisition of land usually takes place without previous appropriation or authorization of the issue of bonds to cover the probable costs. The city's liability on account of the acquisition is recognized from the time the title of the land is

vested in the city. It is put down, for the purpose of calculating the debt limit, at the amount at which the property is assessed, and is charged at that figure to the account entitled "land liability." Interest at six per cent. is added annually until the liability is discharged.

The award is usually higher than the amount at which the property was assessed at the time of its acquisition. The city frequently under-assesses vacant land. Courts and condemnation commissioners seem inclined to treat the owners of property generously. Finally, the award includes interest at six per cent. from the date of vesting the title, and this additional sum, where the proceedings extend over a period of several years, may be considerable. Comptroller Berry in a recent statement cited five instances of school sites recently acquired in which the award was four or five times greater than the assessed valuation of the property.¹ According to the testimony of the real estate experts of the city, the sites for the Staten Island piers were worth \$1,300,000, but the Supreme Court rendered an award of \$8,500,000, which is now being appealed from by the city. A brief submitted by the Corporation Counsel cites many instances of purported errors on the part of courts which have fixed the costs of certain parcels of land at several times their real values.²

After an award is made, the Board of Estimate authorizes the necessary amount of bonds. Corporate Stock Notes are then issued to be converted later into long-term bonds.

This procedure permits long delays between the date of acquiring the land and the date of the award. Schools may be erected or the land otherwise used with no financial provision for the eventual payment of costs. The site for Bronx Terminal Market was acquired in 1922. An authorization to pay for the land was made in April, 1927, when an award of approximately seven and one-half million dollars for that site was rendered. The title to the sites for the Staten Island piers was vested in the city in October, 1919. The tentative award was rendered

¹ *New York Times*, July 13, 1927.

² In the matter of the condemnation of the properties of Staten Island. Supreme Court, Appellate Division, Second Judicial Department.

by the court in 1922. The city appealed the case. In August, 1927, the award was not yet final and no provision for payment had been made.

Interest which accrues on the purchase price from the time title was vested in the city to the time the award is actually paid, is made a part of the capital costs and is included in the amount for which bonds are issued. Thus, part of the proceeds of forty- or fifty-year bonds are used to pay interest accruing for two, three, four, or five years. In the case of the Staten Island piers the interest will accrue for eight years and will amount to forty per cent. or more of the purchase price, *i.e.*, between two and three million dollars.

Under the procedure described, furthermore, the Board of Estimate passes resolutions vesting title in the city, in ignorance of the prices that may be fixed by the courts. The Board may therefore unwittingly acquire property on which the courts fix unduly high prices.¹ Having once secured title to property, the city cannot withdraw from the proceedings. It must go through with its part of the bargain. The situation might be improved if, before the first award had been confirmed by the court, and when title to the property had not yet vested in the city, the Corporation Counsel would advise the Board of Estimate of the amount of the tentative award and of the amounts at which the property had been assessed at the time of its selection and at the time of the tentative award. The Board would then be in a position to determine whether to take title to the land or to withdraw from the proceedings.

Financial Planning

There is, however, another aspect of the matter, namely, financial planning. If it is possible, it is desirable that a city should prepare a financial programme covering five or ten years. Such a programme should set forth the expenditures that would be necessary year by year by reason of the normal growth of the city's activities. The programme would disclose the expendi-

¹ Before rendering the final award the court usually fixes a tentative figure which shows the court's drift of thought, and counsel on both sides may then proceed with their final arguments that this figure is too high or too low.

tures for permanent improvements which are contemplated, and would indicate the methods by which all expenditures would be financed. Few cities have ever prepared such a comprehensive programme. The difficulties involved are great. The demands of different departments have to be sorted over and pared down, and that is a task that public officials rarely care to undertake in the absence of charter requirements or immediate emergencies.

In 1919 a comprehensive five-year financial programme was prepared for Newark, N. J. The programme, however, was not adhered to by the city authorities. In 1925 a ten-year financial programme was prepared for Detroit under the auspices of a Citizens' Committee. The Committee projected into the future the city's capacity to pay as well as the city's needs. Financial programmes in respect of permanent improvements only have been prepared for Bluefield, W. Va., and Kalamazoo, Mich. Such planning enables a city to decide more intelligently upon the projects that it will undertake than when the sifting of capital demands is left to a series of special sessions of the appropriating authorities. A comprehensive plan will undoubtedly insure greater economies. It will keep steadily before the city officials the fact that a particular programme will require at given dates tax levies which are known in advance.

There will be found in the Appendix ¹ a separate memorandum outlining some of the capital outlays which New York City contemplates for the immediate future. This memorandum shows how difficult would be the task of preparing a comprehensive financial programme for New York City, and of having a capital stock budget adopted annually, synchronously with the adoption of the regular appropriation budget. Any comprehensive programme could be prepared only after long study participated in by engineers, statisticians, and specialists on city planning. Five months of continuous work were required for Detroit, and Detroit's problems are relatively simple in comparison with those of New York.

¹ See p. 279.

CHAPTER III

NEW YORK CITY'S EXPENDITURES FOR SALARIES

Fifty per cent. of New York City's budget of \$500,000,000 is spent on personal service. The mere size of this item indicates its tremendous importance. The methods used to fix the compensation of municipal employees may vitally affect the efficiency of the city's administration.

The pages that follow attempt to answer such questions as these: How many employees are on the payrolls of the city? How are their wages and salaries fixed? Who determines what shall be paid for a given type of work? Is the same rate of pay provided for the same kind of work in different departments or in the various boroughs? Are salaries fixed on an individual basis or on the basis of a systematic classified scheme? Are city employees underpaid or overpaid? Have salary and wage increases kept pace with the cost of living? All of these matters have a definite and important bearing upon the budget and finances of the city government.

One problem, however, does not lend itself to treatment on the basis of proper methods of classification and the adjustment of salaries to the cost of living. This problem relates to the compensation of highly placed officials. The recent resignation of Police Commissioner McLaughlin has again called attention to the fact that New York City hopes to secure for \$10,000 a year abilities which can command several times as much in private business. The Corporation Counsel, similarly, is paid \$15,000. He is pitted against lawyers who receive much more than that from a single one of their numerous clients. Municipal corporations can probably not compete with private corporations in

bidding for personal services, but the question arises as to whether existing divergencies are not too great. In any event, a discussion of the salary problem should not fail to include a consideration of the compensation of the heads of city departments.

It is even more important that account be taken of the status of those permanent, highly placed employees (under civil service) whose work if done with similar success and fidelity for private corporations, would be much more remunerative. This matter has been almost entirely overlooked in past discussions of municipal salaries. It is, of course, a difficult question in values. The rule that stenographers and policemen must receive something more than a living wage may serve as a rough and ready determination of their beginning wage scales. But in the city's service are technically trained persons, such as, for example, the accountants in the Department of Finance, the examiners for the Board of Estimate and Apportionment and for the Municipal Civil Service Commission, and many engineers. Most of these officials are underpaid. Recent increases in salary levels, discussed in the following pages, have largely ignored the compensation of such permanent officials. Their stipends have not been increased in the same proportions as have the wages of less skilled employees. Yet on the ability of the city to attract into and retain in its service specialists of various kinds, depends, as has been said, the efficiency of the city's government. In respect of such officials a haphazard and political adjustment of salaries has more grievous effects than in respect of unskilled workers.

What follows should be read, therefore, with this general consideration in mind: that the salaries for the higher posts in the city administration are in more important need of equitable adjustment, and adjustment upward, than are salaries for unskilled workers.

The Size of Personal Service Appropriations

There are at present about 75,000 permanent civil service employees carried on the city's payrolls. To this number should be added 38,000 teachers in the Department of Education, making a total of 113,000 municipal employees. The distribution of

these workers among the larger departments is shown in the following table.

TABLE I

DEPARTMENTS WITH MORE THAN 1,000 EMPLOYEES¹

DEPARTMENT	NUMBER OF EMPLOYEES
Department of Education	40,152
Police Department	14,970
Borough Presidents	10,807
Department of Street Cleaning	7,857
Fire Department	7,029
Department of Public Welfare	5,527
Department of Plant and Structures	3,774
Department of Health	3,199
Department of Water, Gas, and Electricity	2,785
Department of Parks	2,524
Bellevue and Allied Hospitals	2,275
Board of Transportation	1,934

Teachers form the largest single group found in any department. Of the other civil service employees the patrolmen are most numerous, with street cleaners and firemen next in order. Clerical and office workers constitute a very large group, but statistics regarding their number are not available.

Half of the Budget Expended for Salaries

The Budget for 1927 totals \$474,893,300 of which \$231,579,060 is for personal service, including teachers' salaries. Expenditures for salaries and wages of civil service employees have increased enormously in recent years as will be seen from the table on page 79.

The budget of the city increased 146 per cent. during this period as compared with an increase of 167 per cent. for salaries of civil service employees. During this time the population of the city increased approximately 27 per cent. The number of employees has increased 35 per cent. Personal service costs, exclusive of teachers' salaries, increased from \$12 per capita in 1913 to about \$25 in 1927. In 1913, 1.08 per cent. of the city's population was on its payroll; in 1926, 1.13 per cent. The mere size of personal service expenditures suggests the need

¹The figures used in this table are taken from the pamphlet on the organization of the city government, published by the National Institute of Public Administration, in 1926.

TABLE II

INCREASE IN COST OF PERSONAL SERVICE, 1913-1927

YEAR	NUMBER OF CIVIL SERVICE EMPLOYEES	PERSONAL SERVICE APPROPRIATIONS
1913	55,374	\$59,989,690
1914	55,570	61,384,750
1915	54,586	62,323,048
1916	53,027	61,516,910
1917	50,000 ¹	64,642,304
1918	54,129	67,889,518
1919	52,468	71,929,224
1920	54,674	87,719,079
1921	57,648	104,517,460
1922	60,451	110,745,367
1923	62,535	115,858,812
1924	66,378	123,072,690
1925	70,658	134,645,661
1926	73,000 ¹	141,720,670
1927	75,000 ¹	160,383,926

¹ Approximate.

Note: The number of employees shown is taken from the reports of the Civil Service Commission, and the appropriations from the annual budgets. Teachers, temporary laborers, and the employees of quasi-public museums and other institutions not under civil service, and the salaries paid these groups, are not considered in the foregoing table.

for a very careful expenditure control, for a comprehensive employment policy, and an adequate "hiring and firing" process.

The Municipal Civil Service Commission, which is charged with the supervision of the city's employees with the exception of the teaching force, is created by the state civil service law.¹ It has three members, appointed by the Mayor. An entirely separate Board of Examiners of seven members supervises the employment of the teaching force of the Department of Education.

The state law authorizes the local Commission to divide the service into the exempt class, the competitive class, the non-competitive class, and the labor class, and further to classify and grade positions. It confers authority on the municipal commission to establish rules and regulations, subject to the approval of the state commission, and otherwise to administer the employment processes of the city.

¹ Laws of 1909 Chap. 15, as amended.

How Salaries are Fixed

Jurisdiction over rates of pay is placed by the city Charter in the Board of Aldermen and the Board of Estimate. The Charter provides that "the salaries and wages of all such officers, clerks, employees, laborers, and subordinates in every department shall be such as shall be fixed by the Board of Aldermen upon the recommendation of the Board of Estimate and Apportionment."¹ Another section of the Charter states that the Board of Estimate shall "fix the salary of every officer or person" by ordinance or resolution. The numbers of employees authorized for each department, with few exceptions, are indicated in detail in the annual budget together with the rates of pay. Because of the charter provisions calling for the "fixation" of salaries authorization in the budget has not been deemed sufficient, so that special resolutions designating the number of positions and rates of pay for certain types of employment in specified departments are passed from time to time by the Board of Aldermen upon recommendation of the Board of Estimate. These resolutions which usually deal with single positions or small groups of positions, without reference to other positions of a comparable nature, have been largely responsible in recent years for causing inequalities in compensation.²

The "fixation" of salaries is in most cases in the hands of the Board of Aldermen upon the recommendation of the Board of Estimate. Salaries of Bronx County employees, however, are fixed by the Board of Estimate alone; Surrogate Court salaries are determined by the Board of Aldermen acting alone, and the salaries of other court employees are usually fixed by the judges. Provision is made for emergency temporary and provisional appointments for four months. These employees may not be re-appointed without civil service qualifications. A recent investigation revealed that there are now on the payrolls 1,500 such employees, some of whom have held their temporary appointments for years.

Apart from the special minimum rates for institutional em-

¹ Charter, Section 56.

² See below, p. 91.

ployees, the Board of Estimate requires all vacancies, with a few specified exceptions, to be filled in accordance with a table of rates which it includes in the annual *Terms and Conditions, of the Budget*. Since 1921 each year's Budget has contained the following provisions:

3. (a) All other vacancies may be filled in the discretion of the department head at one of the following rates; the particular rate in each case being the one next lower than the schedule line rate unless the schedule line rate is one of the rates enumerated below, in which case the vacancy may be filled at the schedule line rate, and provided that in departments under the jurisdiction of the Mayor the approval of the Mayor shall first have been obtained:

POSITIONS GOVERNED BY THE MUNICIPAL CIVIL SERVICE RULES RATES OF COMPENSATION (With and without Maintenance)	POSITIONS GOVERNED BY THE STATE CIVIL SERVICE RULES RATES OF COMPENSATION
\$ 760.00	\$ 760.00
960.00	901.00
1,260.00	1,201.00
1,560.00	1,501.00
1,860.00	1,621.00
2,160.00	1,801.00
2,460.00	2,101.00
2,760.00	2,401.00
3,000.00	2,641.00
3,500.00	2,701.00
4,000.00	3,001.00
4,500.00	3,500.00
5,000.00	4,000.00
5,500.00	4,500.00
6,000.00	5,000.00
	5,500.00
	6,000.00

Steps Involved in Appointing an Employee

A department head desiring to add new employees to his payroll applies to the Board of Estimate which sends out an examiner to ascertain the work involved, the number of positions needed, and the titles to be assigned them. The examiner then sends a report to the Budget Director who endorses thereon his recommendation and transmits it to the Board of Estimate. If the matter is approved by the Board of Estimate and Board of Aldermen, the department head fills the position from a list of

eligibles who have been duly examined and certified by the Civil Service Commission. The Commission checks the department's payrolls and certifies that no one is employed without being qualified under the Civil Service Law. The payroll is also audited by the Comptroller who examines it to see that the positions and salaries have been provided for in the budget and by resolution, and that the funds are available.

The city has no authority with reference to the salaries paid in the Department of Education, which is authorized by state law to fix its own salaries. Although there are several thousand clerical and custodial employees in that department who are recruited by the Civil Service Commission and classified so far as possible within the general classification scheme of the city, there is not necessarily any coördination between their salaries and those of employees doing similar work elsewhere in the city.

Classification of Positions Entrusted to Civil Service Commission

The rules of the Civil Service Commission establish a classification and grading of the positions in the city's service. The present grouping of city employees is as follows:

Exempt Class (not subject to examination)

Competitive Class: subdivided into the following classifications:

- The Ungraded Service
- The Clerical Service
- The Engineering Service
- The Inspection Service
- The Legal Service
- The Attendance Service
- The Police Service
- The Fire Service
- The Prison Service
- The Street Cleaning Service
- The Ferry Service
- The Medical Service
- Non-Competitive Class
- Labor Class

These services are in turn subdivided into salary grades. Thus, the positions in the clerical service are graded as follows: Grade 1 — \$480 to \$959; Grade 2 — \$960—\$1559; Grade 3 — \$1,560 — \$2,159; Grade 4 — \$2,160 — \$2,759; and Grade 5 — above \$2,760. Whenever an employee is awarded a wage increase which takes him over the maximum for the grade, he is required to take a promotional examination, since the state Civil Service Law has been interpreted to require salary increases beyond the grade limits to be considered as promotions.

The grades of pay established by the Municipal Civil Service Commission have remained unchanged for ten years. They were originally intended to be the standard rates of compensation for all city employees. They do not now achieve that purpose, for the Board of Estimate and Board of Aldermen have the power, as indicated above, to establish the titles of positions and the salaries the incumbents shall receive. The result is that the grades established by the Civil Service Commission do not now constitute salary scales for city employees, but serve only to burden the Commission with promotion examinations whenever an employee is raised from one salary grade to another.

Principles to be Recognized in Determining upon a Wage Policy

With the large increase in the number of governmental employees in states and cities in recent years, considerable attention has been centered on the necessity of classifying positions and of equalizing rates of compensation. Large corporations have also found it increasingly necessary to set up job specifications and establish definite rates of pay. Definite standards in governmental employment are the more important because a municipality is not subject to the competitive conditions prevailing in the private business field where rates can frequently be gauged by output or amount of sales. In competitive business, personal characteristics and initiative are reflected in profit and loss statements; in the public service, more attention must necessarily be given to the relative values of different kinds of work and to general considerations of efficiency.

Substantially equal pay for equal work has come to be recog-

nized as a primary consideration.¹ Employees having similar duties, whether in the same or in different departments, should receive equivalent compensation. Attention should be given to the relationship of the rates paid groups of employees engaged on different types of work. Hospital workers, for example, should not be markedly underpaid in comparison with office employees.

In determining rates of compensation for municipal employees, the position, with its duties and qualification requirements, rather than the individual, must be dealt with if favoritism and discrimination are to be avoided. The range or scale of pay should naturally vary with the type of work. An employee's initiative and interest in his work can be recorded to a certain extent by means of efficiency ratings and merit may be recognized by increasing compensation within certain limits.

Cost of Living and Other Factors in Compensation

The compensation of various groups of public employees should be related to the cost of living. Rates should provide an adequate living wage. The rates, furthermore, should be fair in relation to those paid by the best private employers for the same class of work. City employees, except in a few departments, are not subjected to the strain and pressure found in competitive business, working conditions are more pleasant, tenure is more certain, and a liberal system of retirement is provided. Other factors such as hours of work required, vacation and sick leave, working conditions, and opportunities for advancement are not to be overlooked. It is apparent that these factors should be substantially uniform throughout the city service.

No consistent wage policy can be carried out unless definite standards for appointment and service are maintained. There

¹ The Charter provides that salaries need not be uniform throughout the several boroughs but may be made to reflect differential rentals and expenses of living in the several boroughs. (Charter, Section 56.) No distinction has, however, been made in recent years in the salaries of employees in accordance with this provision. With the exception of rentals, it has been felt that living costs are fairly uniform throughout the city, and it is assumed that an employee of a given type will spend about the same amount for rent regardless of where he resides.

Cf. National Industrial Conference Board, *Cost of Living in New York City*, 1926, p. 34.

must be a systematic procedure in appropriating for salaries and wages. Rates must be determined and periodically readjusted in conformity with a definite plan. The central employment agency, the Civil Service Commission, must be administered in an aggressive and impartial manner in order that favoritism and injustice may be eliminated. Civil service administration involves a clear and workable classification of positions based on an analysis of the duties performed.

The extent to which the commonly accepted principles discussed in the foregoing paragraphs are being applied in the New York municipal service, will be suggested in the course of this chapter.

Adequacy of Salaries in Relation to Cost of Living

The average salary of city employees seems to have doubled during the past fifteen years. Table III makes use of the figures contained in Table II, and affords an approximate index of wage rates since 1913. The figures for average salary cannot be precisely stated since sufficient data regarding personal service expenditures is not compiled by the Comptroller. Budget figures — the amount of money appropriated rather than spent each year for salaries and wages — were utilized. The actual average is probably somewhat in excess of the figures shown since maintenance is provided for a considerable number of employees. Others, such as medical inspectors, although permanent, are paid for but a few hours' work a day.

It will be seen that from 1916 to 1920, municipal salaries failed to keep pace with the cost of living. Since that time, because of rather generous increases, salaries have approximately met living costs. The 1927 budget appears to provide an average wage somewhat larger than that ordinarily held to be necessary to meet a family budget. Many of the city positions are of types which are customarily filled by unmarried persons, and need not be compensated with regard for the requirements of a man with a family.¹

¹ Cf. *Cost of Living in New York City*, p. 114.

TABLE III

INCREASE IN AVERAGE SALARY AS COMPARED WITH LIVING COSTS¹

YEAR	AVERAGE SALARY	SALARY INDEX	NEW YORK CITY COST OF LIVING INDEX	
			June	December
1913	\$1,086	100.	....	100.
1914	1,104	101.6	....	102.4
1915	1,141	105.0	....	104.4
1916	1,160	106.8	....	117.7
1917	1,292	118.9	....	148.2
1918	1,254	115.5	....	181.6
1919	1,370	125.9	183.5	208.7
1920	1,604	147.7	224.5	206.2
1921	1,813	166.9	186.1	183.6
1922	1,831	168.7	174.8	178.4
1923	1,852	170.5	176.7	181.6
1924	1,854	170.7	176.6	180.7
1925	1,905	175.4	180.0	187.6
1926	1,941	178.7	182.9	184.3
1927	2,138	196.8	....	....

The average salary paid to teachers is \$2,412. Were teachers' salaries included, the average salary for all municipal employees would be about \$2,230.

Wage Adjustments During the Past Decade

During the war the wage situation in the city service became acute. The situation was partially relieved by various piecemeal increases but the first general increase was made in 1919, when \$100 additional was granted to those receiving \$1,800 per annum or less.

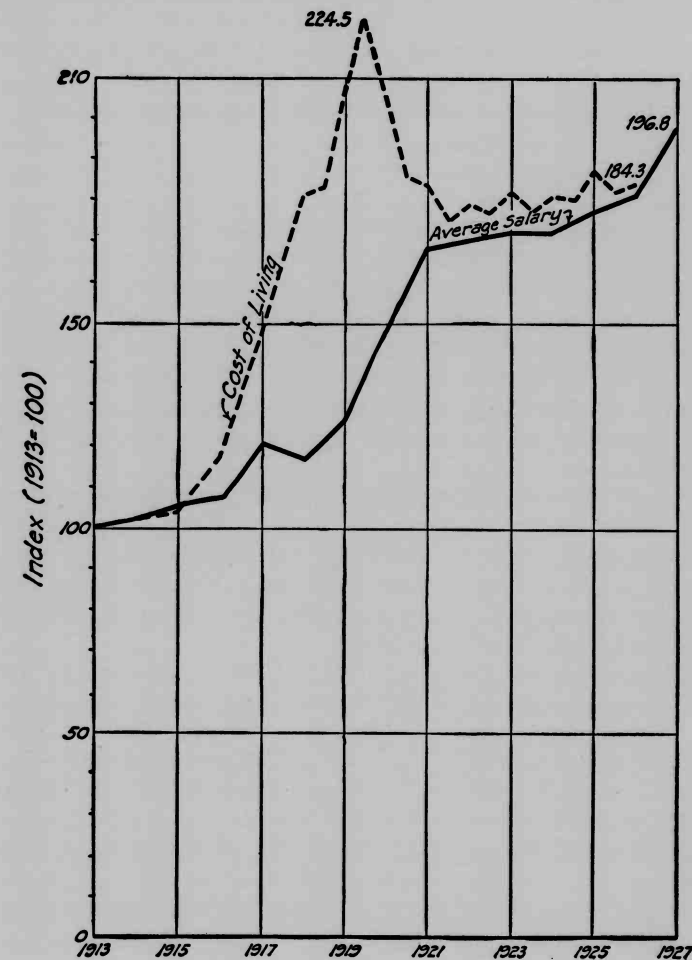
The Budget for 1920 provided a further general increase of from 10 to 20 per cent. for employees receiving less than \$2,600. The largest group affected was that receiving less than \$1,200.

¹ The cost of living index numbers shown in the table are those prepared by the United States Bureau of Labor Statistics, adjusted to 1914—102.4. (*Labor Review*, February, 1927, p. 173.) The so-called salary index which affords a comparison with the changes in the cost of living is merely a percentage figure derived by using the average salary for 1913 as a base. Average salaries shown are approximate figures obtained by dividing annual personal service appropriations by the number of permanent civil service employees.

This group received a maximum increase of \$200. On May 15, 1920, an increase of \$1 a day was awarded to per diem laborers and foremen.

CHART I

CITY EMPLOYEES' SALARY INCREASES AND THE COST OF LIVING, 1913 TO 1927



These increases were still regarded as inadequate, and on August 20, 1920, the following increases were put into effect: 22 per cent. to those receiving \$1,500 or less; 20 per cent. to those receiving \$1,501 to \$2,500; \$500 to those receiving over \$2,500, with the restriction that no salary was to exceed \$7,500.

The Budget for 1924 fixed a minimum salary of \$2,200 for public works inspectors and investigators in the departments of Finance and Docks. Fire prevention inspectors were allowed a minimum of \$2,000, and other inspectors a minimum of \$1,800.

Recent Wage Increases

The Budget for 1925 provided for the distribution of substantial sums to increase the compensation of clerical, engineering, legal, and inspectional employees. Other extensive salary increases for certain groups of employees, particularly inspectors, were adopted by resolution in May of that year. The funds were provided out of each department's budget appropriation. In July of the same year, the salaries of inspectors in the offices of the various borough presidents were raised to a minimum of \$2,400.

The 1926 budget appropriated \$300,000 for wage increases in the skilled trades to make the scales conform to prevailing private rates. Another \$1,000,000 was provided for readjustments in the salaries of other employees. The Director of the Budget was charged with apportioning these increases with the approval of the Board of Estimate.

The Budget for 1927 carried \$1,500,000 for increases in the skilled trades, and \$1,000,000 for readjustments in the salaries of other employees, to be distributed in the same manner. This latter fund was allotted on March 29 to 8,500 municipal employees. The majority of these are in clerical service, though 150 highly paid "exempt" officials received increases. The public hearing which was held by the Board of Estimate on the salary increases disclosed the fact that some employees had been entirely overlooked in the distribution. It was promised that they would be taken care of later from other funds.

"Promotions" That Are Merely Salary Increases

Under existing regulations, department heads may advance an employee to a higher salary when a vacancy occurs in a position in the same classification carrying the higher salary.¹ A vacancy may occur, for example, in a third grade clerkship carrying a salary of \$1,800. The department head may assign this salary to a \$1,200 clerk of Grade 2, who has passed a promotional examination and is on the eligible list for Grade 3. Since the Civil Service Commission is not required to investigate the appointment or the work involved, there is no assurance that the employee awarded the Grade 3 salary will be assigned to the work of higher calibre. Often he is allowed to continue the low grade work, and the department head appoints a clerk to undertake the more responsible work at the lower rate of pay. Fairly recent appointees may thus receive the compensation provided for employees who have been in the city service for many years. Furthermore, an employee may be allowed a rate of compensation in excess of the rate assigned to the grade of work in which he is employed. The salaries of innumerable employees have thus been increased in recent years through so-called "promotions" which involve no change in duties and no increased responsibility.

Promotional examinations are required whenever the new position carries a rate of pay in excess of the grade limits fixed by the civil service classification. The Civil Service Commission has adopted the policy of filling every possible promotion from within the department or bureau involved. Promotion eligible lists exist for nearly every organization unit and it is, therefore, relatively easy for a department head, perhaps in perfectly good faith, to avoid the intent of the Civil Service Law and increase

¹The Civil Service Law, Laws of 1909, Chapter 15, Section 16, provides: "Vacancies in positions in the competitive class shall be filled, so far as practicable, by promotion from among persons holding positions in a lower grade in the department, office, or institution in which the vacancy exists. Promotion shall be based upon merit and competition, and upon the superior qualifications of the person promoted as shown by his previous service, due weight being given to seniority. For the purposes of this section an increase in the salary or other compensation of any person holding an office or position within the scope of the rules in force hereunder, beyond the limit fixed for the grade in which such office or position is classified, shall be deemed a promotion."

individual salaries beyond the value of the work that is being performed. The Commission's general policy on promotions serves to encourage such increases and to make for inequalities.

Rates Modified by Terms of the Budget

The Board of Estimate and Apportionment has for several years recognized that the old civil service salary boundaries were no longer adequate. New maximum schedules of pay have been provided in the *Terms and Conditions of the Budget*¹ for certain institutional employees in the Departments of Public Welfare, Health, Correction, and Bellevue and Allied Hospitals. The Budget thus authorizes department heads to fill vacancies, not at the minimum of the grade called for by the civil service rules, but at the next higher rate as shown in a compensation table printed in the budget. But even this attempt at some degree of standardization is not always effectual, since "special" exceptions are not uncommonly made by the Board of Estimate.

Department heads are frequently heard to complain about their inability to obtain competent employees at the low rates of pay provided for certain positions, particularly under the civil service salary grades. It is probable that to a considerable extent this inability is due to the promotional practice described above, which has served to fill many low grade jobs with high priced employees. Positions carrying very low salaries are necessarily filled by temporary appointees since permanent appointments will not be accepted at inadequate compensation. Temporary appointments in considerable number, it may be pointed out, are undesirable since they fail to conform to civil service requirements.

General Results of the Wage Increases

A very definite lack of policy is thus apparent in awarding salary increases in the municipal service. What have been the results of the more or less haphazard method of effecting increases during the past decade? Every conceivable salary rate is found

¹ See p. 47.

in the Budget. An examination discloses, for example, such rates as \$2,100, \$2,101, \$2,105, \$2,106, \$2,140, \$2,160, etc.

The flat increases awarded some years ago provoked numerous instances of inequality so that, for example, office boys were receiving more pay than clerks, and supervisors received less than employees working under them. These situations, however, have since been adjusted. In general, employees of a lower grade profited a great deal more in proportion as a result of the percentage increases than did employees in more responsible positions. An employee receiving \$1,200 in 1918, received \$1,824, or an increase of 52 per cent. in August 1920. An employee receiving \$1,800 in 1918 was advanced to \$2,622 in 1920, an increase of 45 per cent. A clerk at \$3,000, however, received an increase of but 16 per cent. during the same period, to \$3,480.

Inequalities in Rates of Pay

Although no detailed analysis of the large number of positions in the city service has been possible in this study, certain facts are readily apparent with regard to the lack of standardization in compensation. The budget itself discloses wide variations in pay for positions carrying the same payroll title. Unfortunately, the budget does not indicate the grade of a given position, so that the title of "clerk" may mean an office boy or a clerk exercising a certain degree of supervision of others. An examination of Table IV indicates the wide range of pay carried by the *same title* in various departments.

A striking illustration of the variations shown by the Table IV is that the position "clerk" carries from \$480 to \$7,000 in salary. Even though it is assumed that each of the positions in question varies in its duties so as to justify a different rate of pay, it will be seen that the classification plan is badly at fault in not indicating, by the use of different titles, the difference in responsibility. Stenographers and typewriters are paid from \$960 to \$4,000; it is doubtful whether any ordinary stenographic position in private employment would receive much more than \$2,500. Positions with larger compensation are usually those of private secretaries or court reporters. Messenger work is largely uniform

TABLE IV
RANGE OF SALARIES IN VARIOUS DEPARTMENTS FOR CERTAIN TYPES
OF POSITIONS

DEPARTMENT	NUMBER OF INCUMBENTS	MINIMUM	MAXIMUM
<i>Clerk</i>			
Board of Estimate and Apportionment . .	42	\$ 900	\$4,250
Department of Finance	485	1,171	5,750
Law Department	106	960	6,000
Department of Taxes and Assessments . .	69	960	2,880
Civil Service Commission	40	760	3,700
Department of Education	469	780	7,000
Police Department	41	1,260	4,500
Fire Department	85	760	5,500
Department of Health	262	760	4,500
Department of Welfare	109	760	3,750
Department of Water Supply, Gas, and Electricity	92	480	5,250
Department of Street Cleaning	50	720	4,250
Department of Correction	44	760	3,250
Department of Plant and Structures . . .	84	960	3,250
Department of Purchase	39	760	4,150
<i>Stenographer and Typewriter</i>			
Board of Estimate and Apportionment . .	18	1,200	2,300
Department of Finance	40	1,200	2,750
Law Department	61	1,200	2,460
Civil Service Commission	14	960	2,760
Department of Education	180	1,014	4,000
Department of Police	9	1,260	2,500
Fire Department	15	960	2,750
Department of Health	62	960	2,160
Bellevue and Allied Hospitals	17	960	2,600
<i>Accountant</i>			
Department of Finance	51	2,400	6,600
Commissioner of Accounts	38	1,900	4,000
<i>Messenger</i>			
Department of Finance	20	1,560	2,890
Law Department	3	1,800	2,100
President, Borough of Manhattan	16	1,625	2,790
President, Borough of Bronx	5	2,005	2,178
President, Borough of Brooklyn	7	1,550	2,160
Department of Plant and Structures . . .	7	1,537	2,159
Department of Purchase	2	1,710	1,760
<i>Assistant Engineer</i>			
Board of Estimate and Apportionment . .	22	2,750	5,800
President, Borough of Manhattan	42	2,432	5,250

TABLE IV (Continued)
RANGE OF SALARIES IN VARIOUS DEPARTMENTS FOR CERTAIN TYPES
OF POSITIONS

DEPARTMENT	NUMBER OF INCUMBENTS	MINIMUM	MAXIMUM
<i>Assistant Engineer (Continued)</i>			
President, Borough of Bronx	27	\$2,760	\$6,000
President, Borough of Brooklyn	69	2,376	5,250
Department of Education	4	3,528	4,320
Department of Water Supply, Gas, and Electricity	30	2,160	6,000
Department of Plant and Structures . . .	28	2,460	7,500
Department of Docks	14	3,000	6,000
<i>Watchman</i>			
Metropolitan Museum of Art	22	1,255	1,381
American Museum of Natural History . .	12	1,288	1,683
Department of Parks, Bronx	10	1,200	1,500
Brooklyn Institute of Arts and Sciences .	5	1,317	1,317
Department of Parks, Queens	8	1,500	1,500
Staten Island Institute of Arts and Sciences	1	800	800
Department of Health	6	720	1,185

SALARIES PAID PROBATION OFFICERS AND RELATED SOCIAL WORKERS

	CHIEF PROBATION OFFICER	DEPUTY CHIEF PROBATION OFFICER	PROBATION OFFICER
Special Sessions	1—\$4,100		21—\$1,560 to \$2,613
Children's Court	1— 6,000	3—\$3,000 to \$3,300	60— 1,800 to 2,700
City Magistrates' Courts	1— 4,100	3— 3,250 to 3,500	74— 1,560 to 2,613
General Sessions	1— 7,500	2— 5,000	27— 3,000
Parole Commission ¹	1— 3,600	3— 2,613	30— 1,560 to 2,200

and would not appear to warrant a salary range of more than \$1,200 as shown by the table. Considerable variation is shown in the salaries for watchmen.

A more exhaustive inquiry would undoubtedly disclose many inconsistencies and inequalities. There is no definite standard in effect for paying many groups of employees. In some cases the titles are probably at fault. In others, where the character of the

¹ Has parole instead of probation officers.

work varies, the salaries paid show a disproportionate variation.¹ Some employees undoubtedly receive considerably less for performing work comparable to that of higher paid employees. There are, however, relatively few conspicuous instances of groups of employees being underpaid. Scientific and technical workers, as a class, do not appear to have benefited as much by recent salary increases as have mechanics and clerks. The highest rate apparently paid for bacteriologists is \$3,350; out of 22 employed in the Department of Health, 17 receive less than \$2,500. The compensation of medical superintendents of the city hospitals is said to be lower than that paid by private institutions. The Department of Public Welfare contends that it is impossible to persuade x-ray and other laboratory technicians to enter the municipal service at the \$1,260 rate provided. A regrading of engineers also appears necessary.

COMPARISON OF RATES WITH THOSE IN PRIVATE EMPLOYMENT

The general adequacy of the compensation rates is suggested by the averages discussed above. The average is affected to a considerable extent by the rates paid certain large groups of employees. It is of interest to inquire how the compensation of employees in the more important groups compares with compensation for similar work outside the city service. There are nearly 15,000 patrolmen and more than 5,000 firemen receiving from \$1,769 to \$2,500. Rates for these employees are ordinarily controlled, in part, by the influence which large groups of this kind can bring to bear upon the appropriating authorities, and by the fact that it is deemed advisable to provide rates which will attract married men or make it possible for single employees to marry.

In connection with the compensation of firemen and policemen, although it is outside the scope of this discussion, attention should be called to the policy of using large numbers of the

¹ For example, clerks employed in checking and compiling assessment lists are paid from \$1,260 to \$3,000 for work which does not warrant such wide variations in compensation.

uniformed forces on routine clerical work. Many policemen and firemen are unsuited for office work. They have not been selected with reference to such qualifications, and they are performing tasks which could be much more economically undertaken by employing ordinary clerks and stenographers at lower salaries. This condition is not peculiar to New York. In the Police Department, such use of the uniformed force is apparently more prevalent than in the Fire Department. In the former only half as many civilian clerks are employed, even though the Police Department is much larger.

Rates of Pay for Mechanics

Skilled mechanics of various kinds also serve to raise the general salary level of municipal employees, since the skilled rates are governed for the most part by those fixed by organized labor. Until about two years ago, the rates for the skilled trades were established in accordance with the prevailing rates, as indicated by a survey made by the Board of Estimate. The rates paid large groups of workers in various trades were ascertained and the municipal rate fixed in accordance with the prevailing rate of the positions surveyed.

Table V shows the rates paid in 1926 for the important skilled trade classes as compared with the union rates paid by the Building Trades Employers' Association, the rates paid at the United States Navy Yard, Brooklyn, and the rates of a large number of New York employers belonging to the National Metal Trades Association.

The municipal rates will be seen to be lower than the established union rates recognized by the Building Trades Employers' Association, but increases in the scale are proposed for the coming year. The present rates, however, are fully comparable to the union rates when consideration is given to the fact that practically all of the city employees work the year round, receive a vacation with pay, and enjoy pension privileges. The ordinary building trade mechanic in private employment works only from 225 to 250 days a year, so that his annual income is no greater than that of the city worker. It will be noticed that the municipal

TABLE V
COMPARATIVE RATES FOR SKILLED TRADES (PER DIEM)

TRADE	NEW YORK CITY RATE	BUILDING TRADES EMPLOYERS' ASSOCIATION	UNITED STATES NAVY YARD, BROOKLYN, N. Y.
Automobile Machinist	\$9.00	....	\$6.96
Blacksmith	9.50	\$12.00	7.84
Blacksmith Helper	7.00	9.00	5.04
Bricklayer	12.00	14.00	....
Carpenter	10.50	12.00	7.20
Dockbuilder	9.00	12.00	7.20
Electrician	9.50	12.00	7.60
Electrician Helper	5.50	8.00	4.96
House Painter	10.00	12.00	7.20
Laborer (Common)	5.50	7.25	4.40
Licensed Fireman	7.00	....	5.84
Machinist	9.50	12.00	7.20
Machinist Helper	7.50	9.00	4.80
Marble Setter	10.00	12.00	....
Marble Setter Helper	7.00	9.50	....
Moulder	8.00	....	7.84
Nickel Plater	9.00	....	....
Oiler	7.00	....	6.00
Plumber	11.00	12.00	7.60
Plumber Helper	6.00	....	....
Ship Carpenter	9.00	....	7.60
Ship Caulker	7.20	....	6.80
Stationary Engineer	8.50	11.00	7.20
Steam Fitter	11.00	12.00	....
Steam Fitter Helper	8.00	8.50	....
Sheet Metal Worker	10.00	12.00	7.60
Stonecutter	9.00	14.00	....
Welder	9.50	....	7.20

Note: Municipal rates as shown, in 1926 budget; building trade rates from Building Trades Employers' Association, 30 West 33rd Street; and Navy Yard rates from pamphlet, *Schedule of Wages for Civil Employees*, 1926, published by the United States Navy Department. Hourly rates were converted into an eight hour day rate. Recent figures furnished by the United States Bureau of Labor Statistics corroborate the union rates generally paid in the building trades.

rates are from 20 to 50 per cent. higher than those paid by the national government, which considers that a guarantee of permanent employment warrants a reduction in the union scales.

Rates of Pay for Office Workers

Comparisons between the rates paid for ordinary clerical service by the city and by private employers are difficult in the absence of a detailed analysis of the positions in question. Statistical data is lacking and the Civil Service Commission keeps no record of the number of clerks of various grades employed. The liberal maximum compensation provided for clerical positions has been shown in Table IV. Individual cases also appear to suggest that the city pays considerably more for clerical work than large private employers. Data was gathered from one of the largest clerical organizations in the city. Here there was found a group of about 2,000 record or data clerks, mail readers, and typists, who do work involving some special training and requiring ordinary intelligence. The average compensation was \$24.31 a week. Although there is a great deal of ordinary clerical work of this kind in the city service, it is readily apparent from an examination of the budget that the majority of clerks and typists comparable to the group in question are receiving in the neighborhood of \$30 to \$35 per week. The average pay for the stenographers in the private organization in question is \$23 a week, which is apparently from 15 to 20 per cent. lower than the municipal rate for similar work.

Liberal clerical salaries in the city service are particularly to be found in the Department of Education. The budget for 1927 discloses 14 clerks receiving more than \$4,000 a year, 25 receiving \$3,528, and 152 who receive \$2,000 or more.

An isolated example of municipal rates that are considerably higher than those paid by private employers is the rate for Department of Plant and Structures ticket agents, who receive as high as \$2,300 a year, as compared with a rate of about \$1,500 on the outside.

BREAKDOWN OF THE CLASSIFICATION SCHEME

A definite plan of classifying the various types of employment was completed in 1916, and the enforcement of the classification plan was entrusted to a Bureau of Standards, attached to the

Board of Estimate staff. As a part of its programme, the administration eliminated a number of employees in the interest of economy, and in the mayoralty campaign of 1917 this was made an issue. The new administration proceeded to abandon the classification scheme, and abolished the Bureau of Standards.

Except as the Civil Service Commission has continued to use the classification as a basis for selecting new employees, the classification can no longer be said to be truly operative. Many instances may be cited where the titles of positions do not describe the duties of positions, although the state law specifies that "no person shall be appointed or employed under any title not appropriate to the duties to be performed." The title "medical inspector," used in the Health Department, applies not only to physicians engaged in conducting medical examinations of school children, but to a physician who serves as consultant to the health commissioner on various subjects and to the assistant chief of the Bureau of Child Hygiene. The title "hospital helper" which appears in the budget of the Department of Public Welfare is used for employees serving as garagemen, laborers, and clerks. Many so-called "clerks" are either supervisors or accountants or auditors and are paid accordingly. Both mechanical draftsmen and topographical draftsmen are found employed on drawings of water main extensions. Some of the "clerks" are engaged in stenographical or secretarial work, and should be so classified. The Civil Service Commission endeavors to curb the use of mis-descriptive titles when such matters are called to its attention, but in the absence of a definite classification record, it does not possess the necessary information.

Revision of Classification Needed

The revision of the old classification scheme is much needed. A workable classification of positions involving the same duties, requiring the same qualifications, and assigned the same salary limits, is just as essential in buying personal service as are definite specifications in the purchase of commodities. If descriptive titles and specifications for various types of employment are adopted, the Board of Estimate and taxpayers interested in the

affairs of the municipality will be in a position to know something of the character of the work entrusted to an employee bearing a certain title. This title will indicate the kind of examination involved in obtaining an appointment to the position and will carry with it a definite salary range. Specifications of this kind are of value to the Civil Service Commission in informing prospective applicants of the duties, qualifications, and salary involved. Department and bureau heads will be provided with definite standards when they appear before the Board of Estimate and seek authority for the employment of additional workers of a given kind. The Board will know just what types of positions are in question.

Suggested Improvements in Classification

Considerable progress has been made in recent years in the technique of personnel classification. Many improvements, therefore, can be made in the present plan. The nomenclature should be simplified. At present there is considerable confusion in the use of the words "class," "service," "part," "group," "grade," and "position." The large subdivisions or classes set up under the state law have been subdivided into "services" but these have not been thoroughly worked out along functional lines. A large number of positions remain in the "ungraded service."

One of the most serious criticisms of the present classification is that it provides no scheme for showing, by the title of a position, its relative rank with regard to other positions which differ not in the *nature* of the work involved but in the *degree* of responsibility. If a series of titles such as, for example, under clerk, junior clerk, senior clerk, head clerk, and chief clerk, were used in subdividing the thousands of positions now listed in the budget merely as "clerk," the relative importance of the various positions would be more clearly indicated. Commercial practice now subdivides engineers into juniors, assistants, associates, seniors, chiefs, etc. Similar improvements can be made in the titles of inspectors and other groups.

Very few of the titles at present in use indicate clearly enough either the vocational specialization of the work performed or its

place in the organization structure. Thus positions like those of Searcher, Attendant, Supervisor of Complaints, Measurer, Chief Inspector, or Assistant Engineer may involve work of almost any kind in any department. It is not enough to call an employee an Engineer. He is either a Civil, Mechanical, Electrical, Automotive, or other Engineer. It is usually necessary further to subdivide even civil engineering into its numerous branches. Inspectors should be definitely tagged Building Inspector, Fire Prevention Inspector, and so forth, as the case may be. Many other descriptive titles should be employed, such as Purchasing Clerk, Psychiatric Nurse, or Assistant Occupational Therapist. The shortcomings of the present classification plan have been recognized in part by the adoption of a few cumbersome though descriptive titles, such as "clerk with knowledge of card indexing."

Need for Detailed Wage Survey

The existing classifications and specifications invite revision. Better titles should be selected. In some instances a finer subdivision of the classification will be found necessary. The same titles should be used throughout on payrolls, in making appropriations, and by the Civil Service Commission.

The Commissioner of Accounts, recognizing the importance of having a definite record of all the positions in the city service, such as is not now in existence, has recently required every city employee to fill out a form giving a brief statement of his duties. These data will be of great value for a study of the city's wage problem. The questionnaire is hardly complete enough, however, to provide a full record of the position and of the employee, such as is needed and should be on file in connection with employment as distinguished from budget processes. Additional data are desirable. This should include the place of work, the place of the position in the organization, the amount of supervision involved, maintenance or other remuneration, uniforms, etc., hours of work, age, and home address, record of employment in the city service, and data from immediate superiors regarding the requirements of the position in respect of experience, special knowledge, mechanical skill, or physical attributes. A detailed

description of the work itself is of primary importance, since it is obviously impossible to conduct a personal investigation of each of the seventy-five thousand positions in the municipal service.

Definite Salary Scales Suggested

The salary grades set up by the Civil Service Commission should be discarded and for each group of similar positions or "classification," a definite salary scale should be adopted by the Board of Estimate. Thus, for a new classification of junior stenographer there might be provided a scale of \$1,200-\$1,320-\$1,440-\$1,560. New appointees under such a scale would enter the service at \$1,200, and be advanced one step each year until they reached the maximum for the class. Advancement within the salary scale should be withheld if the employees' efficiency records do not measure up to the required standards. Before receiving any further increases, they would have to qualify for the position of senior stenographer and be assigned to more difficult work.

Part of the *Civil Service Rules* should be rewritten. The Civil Service Commission should exercise more authority over the use of payroll titles and the classification of positions. Since the Commission is required to fill the positions in question, it, rather than the Board of Estimate, should investigate the work to be performed and, in conjunction with the department head, determine the classification. The Commission should broaden its policy of promotion and make it possible for employees to transfer across departmental lines, especially when there are no further opportunities for advancement where they are. The present policy of establishing promotion eligible lists in every departmental unit is tending in the direction of countless examinations for individual positions rather than for a related group or classification of positions.

A classification programme, such as is suggested, should probably be undertaken under the direction of the Civil Service Commission since, after all, it needs to know a great deal more than does the appropriating agency regarding the duties of the positions in the service. Personnel examiners of the Board of Estimate,

however, should coöperate in the work. New compensation schedules should be recommended by the classification agency after the completion of the survey. The compensation plan should be adopted by the Board of Estimate for the classification as a whole. After the adoption of the new schedules, adjustments in rates of pay should be made only for groups of positions or an entire classification and in no instance for individual employees. From time to time, in connection with the preparation of the budget, systematic revisions of the entire compensation plan should be made. A repetition of the present situation will be inevitable unless the Board of Estimate abandons its present plan of sporadic increases.

CHAPTER IV

NEW YORK CITY'S PURCHASING AGENCIES AND METHODS

New York City is one of the biggest governmental buyers in the United States. Its expenditures for supplies, materials, and equipment are exceeded only by those of the United States government. Its purchases comprise a vast array of articles ranging all the way from thumb tacks to steam rollers, and include all kinds of sustenance commodities for the thousands of inmates in the city's penal, charitable, and correctional institutions. In 1922, the Board of Purchase, acting for only the "mayor's departments," bought 3,352,000 pounds of beef, lamb, and veal; 704,000 dozen eggs; 672,000 pounds of butter; 295,300 tons of coal; and 2,739,000 gallons of gasoline. These were some of the leading items on the city's "shopping list."¹

It is obvious that the methods followed in spending such huge amounts are of great importance in dollars and cents. It is obvious also that purchasing practices are intimately connected with the form and content of the city's budget and with the accounting machinery.

The budget of New York City, however, is not designed to show accurately and precisely how much is spent annually for supplies, materials, and equipment. Appropriations are made to each spending agency for "supplies, equipment, and materials," but this does not tell the whole story. A separate budget allotment termed "contract or open order service" is made to each department for repairs, alterations, replacements, and new construction projects, and includes labor as well as commodities. Supplementary appropriations which are made throughout the

¹ Figures quoted from *Greater New York*, June 18, 1923, page 16.

year by the Board of Estimate and Apportionment still further complicate the situation. For this reason, it is exceedingly difficult to secure definite figures on the total spent by each using agency, or by the entire city government for supplies, materials, and equipment.

The 1926 and 1927 budgets made the following appropriations:

	1926	1927
Supplies	\$10,879,000	\$11,865,000
Equipment	4,042,000	4,655,000
Materials	3,035,000	3,306,000
Contract or open order service (includes both personal services and commodities)	21,026,000	28,902,000
	<u>\$38,982,000</u>	<u>\$48,728,000</u>

The largest buyers in the city government spent, during 1926, the following sums for supplies, materials, and equipment:

Department of Education	\$5,741,000
Department of Public Welfare	3,352,000
Department of Street Cleaning	2,212,000
Department of Plant and Structures	1,702,000
Bellevue and Allied Hospitals	1,360,000
Board of City Record	1,318,000
Department of Water Supply, Gas, and Electricity	1,032,000
Fire Department	904,000
Department of Health	892,000
Department of Correction	848,000
Police Department	838,000

These figures include not only the amount appropriated for supplies, materials, and equipment, but also approximately that proportion of the appropriation for contract or open order service which was spent for commodities.

Centralized purchasing has been adopted in principle in over 200 cities of the United States and Canada. Experience has demonstrated that a central purchasing agency, with a reasonable degree of freedom from political interference, can bring about a 10 to 15 per cent. reduction in the supply cost.

The advantages, briefly summarized, are:

Bulk orders, representing the consolidated requirements of several users, result in increased competition and lower prices.

Reduction in cost of preparing and publishing the advertisements, and distributing to vendors the requests for quotations on pending orders. One advertisement and one notice to vendors can advertise the needs of ten or more departments as well as of a single department.

Elimination of purchasing and inspecting staffs in the individual departments.

Lessening of work in finance departments through reduction in number of deposits and surety bonds to be accounted for and returned, and fewer contracts to be approved and recorded.

The work of the law department is similarly simplified, for it has to pass upon fewer legal notices and contracts.

Volume of purchases in certain commodity fields becomes large enough to justify employment of staff of skilled buyers, each a specialist on methods and prices in his particular line.

For many years New York City has been making slow progress toward centralized purchasing. The Joint Legislative Committee, appointed to investigate the city's finances, recommended to the legislature in March 1909, that "the city should be required by law to establish a bureau for the purchase of supplies, which should be under the general jurisdiction of the Board of Estimate and Apportionment, the head of which should be charged, as far as practicable, with the responsibility for the purchase of all supplies for the city."¹ The New York Charter Commission offered a provision for centralized purchasing in the Administrative Code which was presented to, but failed of passage by, the legislature in the same year. Comptroller William A. Prendergast, in 1913, submitted to the Board of Estimate and Apportionment a plan for a central purchasing department.

The first definite step in this direction was taken by Mayor Mitchel in November 1914, when he appointed a centralized purchasing committee headed by Henry Bruère, at that time City Chamberlain. By the Mayor's order, the committee consolidated the contract purchasing of the 28 departments, boards, and offices whose heads were appointed by the mayor (the so-called "mayor's departments"). In spite of the half-

¹ Legislative Document No. 50, 1909, page 85.

hearted coöperation of the departments of the city government, this voluntary and *ex officio* body, lacking legal sanction, functioned with marked success until 1919.

In that year, the state legislature gave the Mayor discretionary authority to create a Board of Purchase of three or more commissioners of departments acting *ex officio*. This board appointed by Mayor Hylan continued until the creation, in 1923, of the present Department of Purchase.

The Purchasing Agencies

Since the establishment of the Department of Purchase, it is commonly believed that the city government has a centralized purchasing agency. Such is by no means the case. As shown below, the Department of Purchase is not a real purchasing agency; nor does its limited jurisdiction extend to all the city and county agencies within Greater New York. Some of these agencies purchase independently; others share that responsibility with the Department of Purchase. The main purchasing agencies now are:

The Department of Purchase
The Borough President's office in each of the five boroughs
The Board of City Record
The Bureau of Supplies of the Department of Education

Department of Purchase

The Department of Purchase was established by Chapter 890, Laws of 1923, which became Sections 449-a to 449-d of the Greater New York Charter. The Department is headed by the Commissioner of Purchase appointed by the Mayor. A deputy commissionership was created by Local Law No. 4, of 1926.

The Department has jurisdiction over "the procedure, conditions, methods and practices that shall prevail in regard to all purchases and storage of materials, supplies, and equipment by and for all departments, boards, bureaus, or offices of the City of New York of which the commissioners, members, or other administrative or executive heads are appointed by the Mayor,

except the Department of Education, its boards and bureaus."¹ Its rules and regulations are subject to the approval of the Board of Estimate and Apportionment and the Corporation Counsel.

The Department's authority, therefore, extends only to the mayor's departments. The city and county courts, the supreme courts, the public libraries, the Board of Water Supply, the Board of Transportation, and the Transit Commission purchase independently by virtue of special statutes or charter provisions. Several semi-public agencies, such as museums, buy through the Department of Purchase when the expenditure is made from city funds, but independently if the expenditure affects their private funds.

The Department of Purchase has a staff of 100 besides the Commissioner. Its budgets for 1926 and 1927 were as follows:

	1926	1927
Personal service	\$232,672	\$248,779
Overhead expenses for supplies and all services other than personal	9,254	17,890
	<u>\$241,926</u>	<u>\$266,669</u>

The work of the Department is apportioned among the following divisions: general office, purchasing, execution, inspection, laboratory, and statistical.

During 1925 and 1926, the following volume of purchases was made through the Department:

	1925	1926
Contracts	\$12,566,676	\$12,706,986
Informal awards	408,724	408,182
Open market	2,333,942	2,358,289
	<u>\$15,309,342</u>	<u>\$15,573,457</u> ²

With very little added personnel, the Department of Purchase could take care of all supply expenditures for the mayor's departments, for the county offices, and for the Borough Presidents' offices. If responsibility were thus centralized in the Department of Purchase, separate departmental buying could be eliminated and many economies could be effected.

¹ Charter, Section 423.

² Figures furnished by Department of Purchase.

The Borough Presidents' Offices

"Every head of department and each President of a borough shall have cognizance and control of the purchase of fuel, furniture, utensils, books, and other articles needed for the public service within his department or jurisdiction."¹

The supplies purchased by the Borough Presidents' offices are in the main for street paving and repair, sewer construction and maintenance, motor equipment and repairs, fuel supplies, and (in Queens and Richmond) supplies necessary for street-cleaning activities. All stationery and printed supplies used by the Borough Presidents' offices are secured through the Board of City Record.

In Manhattan, responsibility is divided between two purchasing offices. All contracts involving an expenditure of \$1,000 and over are handled by the auditor. All open market orders for less than \$1,000 are in charge of the purchasing agent, who is responsible to the Deputy Commissioner of Public Works. The purchasing agent, with an assistant and a stenographer, during 1926, handled open market orders amounting to \$305,000. The total contracts awarded by the auditor amounted to \$8,536,000.

Purchasing for the President's office in Brooklyn is more decentralized than in Manhattan. The principal buyer is the chief clerk of the bureau of buildings and offices, but he, like the purchasing agent in Manhattan, is concerned only with open market orders. His purchases of fuel and other maintenance supplies for the public buildings totaled, in 1926, \$750,000. Highway materials amounting, in 1926, to \$231,000 were bought independently by the bureau of highways; sewer supplies, amounting to \$9,500, were handled by the bureau of sewers; motor vehicle equipment and repairs, totaling \$59,750, were purchased through the auditor of public accounts.

Open market purchases in Queens are made by the purchasing agent, while contract orders, as in the other boroughs, are handled through the auditor's office. The purchasing agent buys for all bureaus of the Borough President's office, including highways,

¹ Charter, Section 111.

sewers, street cleaning, public buildings, office buildings, construction and alteration, and engineering and topography. He is also in charge of the 14 separate storehouses and storage yards operated under the Borough President. Open market orders, in 1926, amounted to \$1,220,631, while contract orders awarded by the auditor totaled \$10,688,331.

Purchasing has not been centralized in any one office in either the Bronx or Richmond. The Borough President's office of the Bronx, in 1926, spent \$517,205 for supplies, materials, and equipment. The supply expenditure in Richmond, including street cleaning, totaled \$397,995 in 1926.

The system of buying for the Presidents' offices is hit-or-miss. The Department of Purchase is capable of buying for the boroughs the same supplies which it now furnishes to other branches of the city government. The purchasing functions of the Borough Presidents would be eliminated if New York City had really centralized purchasing.

Board of City Record

The Board of City Record is established by Sections 1526, 1527, and 1528 of the Charter. The Board consists of the Mayor, Comptroller, and Corporation Counsel, acting *ex officio*. Its functions are summarized in the Charter (Section 1528) as follows: "All printing for said city and for the counties contained within its territorial limits, including the printing of the *City Record*, shall be executed and all stationery shall be supplied, under contracts, to be entered into by the said Board of City Record." The Board is thus given the power to purchase and distribute all printing and stationery supplies, in addition to publishing the *City Record*, the city's official daily newspaper.

Through the action of other conflicting charter provisions or of special laws, the following agencies of the city buy their printing and stationery supplies independently: Department of Education, Board of Elections, College of the City of New York, Hunter College, Board of Transportation, Transit Commission, Board of Water Supply, and the supreme courts, museums, and libraries.

The work of the Board is carried on by the Supervisor and Deputy Supervisor of the *City Record* and 37 employees. The budgets for 1926 and 1927 were:

	1926	1927
Personal service	\$86,067	\$88,828
Other than personal service	7,885	4,185
	\$93,952	\$93,013

The Board of City Record is given a yearly lump sum appropriation for publishing the *City Record*, and for purchasing and distributing the necessary stationery and printing supplies. Charges are made to this fund when supplies are delivered. In addition, separate appropriations are set up for printing *Public Health Education*, the bulletin of the Health Department, and for the stationery supplies needed by the county offices in each of the five counties. The 1927 budget appropriation to the Board was as follows:

<i>City</i>	
Printing, stationery, blank books, publication of <i>City Record</i>	\$1,313,000
Printing, <i>Public Health Education</i>	13,000
<i>Counties</i>	
Purchase, storage, and distribution of stationery and supplies, county offices and courts other than the supreme courts	
New York	\$40,000
Bronx	17,000
Kings	35,000
Queens	12,500
Richmond	5,000
Total	\$1,435,500

New York is the only city with a separate organization for the procurement of printing and stationery. Centralized purchasing would confine the function of the Board of City Record to publication of the *City Record* and the supervision of all official advertising for the city. All city and county offices, except the Department of Education, would then obtain their stationery through the Department of Purchase. There seems to be no valid reason why the supreme courts and certain other governmental units should continue to buy their printed supplies independently.

Bureau of Supplies of the Department of Education

Prior to 1917, the Bureau of Supplies and the office of Superintendent of Supplies had been created under the authority of Sections 1075 and 1076 of the Charter. These sections, however, were repealed by Chapter 786 of the Laws of 1917, which, under a general grant of powers applying to all cities, permits boards of education "to purchase and furnish such apparatus, maps, globes, books, furniture, and other equipment and supplies as may be necessary for the proper and efficient management of schools . . ." and "to provide text books and other supplies to all the children attending the schools."

The Bureau buys all books, supplies, fuel, scientific apparatus and equipment for the school system of the city with the exception of furniture installments, replacements, and repairs, which are furnished through the Bureau of Construction and Maintenance. The Bureau handles all postage stamps used by school officials, and all bus and trolley tickets needed for transporting pupils. Each of these two items totals about \$70,000 per year.

Hunter College and the College of the City of New York, although a part of the educational system of the city, buy their supplies independently. The Manhattan Trade School for Girls, a self-supporting institution, uses the official lists and contracts of the Bureau, but buys independently.

The Bureau is headed by the Superintendent and the Deputy Superintendent of Supplies. It has a total of 218 employees. Its budget for 1927 totals \$525,530, of which \$446,354 is for personal service, and \$79,176 for service other than personal, including supplies. This force is necessarily larger than that of the Department of Purchase because it is a complete supply unit, receiving, examining and redistributing the goods it buys. The Department of Purchase has been described as merely a price-getting office.

During 1925, the total expenditures of the Bureau of Supplies amounted to \$5,741,274. In addition, the school system spent \$3,357,034 for furniture and equipment through the Bureau of Construction and Maintenance.

The task of purchasing for the city's educational system is

in itself vast enough for one office. The Department of Education maintains over 700 school buildings, and receives supplies at more than 800 delivery points. The Department is also, to a considerable degree, financially independent of the central government. This constitutes a further argument for a separate supply bureau. The Bureau of Supplies functions with marked effectiveness. It is capably administered, and unquestionably reduces supply costs by thousands of dollars annually. The cost, in 1925, for all books, supplies, equipment, and instruction materials, was only one cent per daily attendance of a pupil in the grades, and two and one-half cents per pupil in high schools. The Bureau might well purchase for Hunter College and the College of the City of New York.

Other Purchasing Agencies

Several other departments of the city maintain purchasing offices. The American Museum of Natural History has a purchasing agent and storekeeper with a staff of assistants. The Departments of Public Markets, Correction, Public Welfare, Plant and Structures, and Water Supply, Gas and Electricity maintain their own purchasing corps, although their supply expenditures must clear through the Department of Purchase. In fact, the Department of Public Welfare had a budget, in 1926, of \$47,418 for the purchase, and \$93,241 for the storage and distribution, of medical and surgical supplies.

PURCHASING METHODS

Determining Requirements of the Using Agencies

For budget making purposes, all using agencies are required to submit lump sum estimates of their requirements for the next fiscal year. Detailed estimates are not submitted in advance of actual need. Requisitions for the supplies, materials, and equipment as needed are sent to the respective buying offices. The Bureau of Supplies of the Department of Education keeps accurate consumption records for past years, classified by commodities and also by individual using agencies. It is thus en-

abled to estimate with a fair degree of accuracy the total quantities of each article to be needed for the year, and accordingly to enter into contracts without consulting each individual using branch or school. The contracts, based on estimated total quantities, may be increased or decreased according to actual need.

The Board of City Record also keeps accurate consumption records of each article of stationery used by each department and office of the city government. But, unlike the other buying offices, the Board receives detailed estimates of needs for the entire fiscal year. The contracts are awarded for definite total quantities, a necessary procedure in the purchase of printing.

The Department of Purchase receives annual estimates for coal; quarterly estimates for non-perishable staple articles; and monthly estimates for perishable foodstuffs. The quarterly estimates are submitted two months in advance of the required delivery date. The monthly estimates are filed in the current month for delivery on the first of the following month. The Department of Purchase cannot anticipate requirements and thereby take advantage of favorable market conditions, because it has no contact with store records and no account of stocks on hand in individual departments. In all cases the Department of Purchase, before proceeding to buy, must wait until requisitions are received. It should have authority to secure estimates at any time and to advise the individual departments and offices to order in advance of need when prices and markets are favorable.

The Borough Presidents' offices, generally speaking, buy nothing until requisitions are received, and make no attempt to profit by favorable market conditions.

Standardization

Standardization is essential to the success of centralized purchasing. Without some degree of standardization, centralized purchasing results in the placing of many small orders through one office. As long as each using office may demand and receive its own particular brand or variety or style, it is impossible to consolidate requirements of individual departments into large

orders. Furthermore, standardization is an adjunct to careful and scientific inspection. Unless definite standards are agreed upon and enforced, vendors often cannot be compelled to deliver exactly what was purchased.

In 1910 a commission on standardization of supplies was set up under the supervision of the Board of Estimate and Apportionment. In 1913 the Board made it a regular bureau under the name of the Bureau of Standardization of Supplies and Equipment. This agency was merged with the Board of Purchase when the latter was established in 1919.

The Bureau of Standardization of Supplies and Equipment divided the city's purchases into the following forty-two classes, which are still effective and are the basis today for apportionment of responsibility among the various buyers in the Department of Purchase:

1. Apparatus (laboratory, etc.)
2. Arms and supplies, ammunition and explosives
3. Athletic goods (including games, toys, etc.)
4. Books, publications, etc.
5. Cleaning materials and compounds
6. Cleaners' machines and supplies
7. Clothing, etc.
8. Cordage, rope and oakum
9. Drafting and engineering tools, instruments and supplies
10. Drugs, chemicals, etc.
11. Dry goods, notions, etc.
12. Electrical fixtures and supplies
13. Fire apparatus and appliances
14. Food products
15. Forage (including all good for animals)
16. Fuel (including fuel oils)
17. Furniture and furnishings (including kitchen supplies and utensils)
18. Hardware (not otherwise classified)
19. Hospital supplies and surgical instruments
20. Iron, steel, and other metals (including castings)
21. Leather, saddlery, belting, hose and hose fittings
22. Live stock, (including horses and all other animals) and laboratory specimens
23. Machinery and parts (not otherwise specified)

24. Materials of construction (including lumber, timber, and building material)
25. Materials for manufacture of prison goods
26. Miscellaneous
27. Nails, bolts, nuts, washers, rivets, and screws
28. Nautical supplies (including boats and equipment)
29. Office equipment (other than furniture), supplies, and stationery
30. Oils (lubricating and illuminating), greases, and all lubricants
31. Paints, oils, varnishes and painters' supplies
32. Pipe, valves, and pipe fittings
33. Photographic materials and supplies
34. Plumbers', steamfitters', and machinists' supplies
35. Printed, lithographed, engraved, and bound books and forms
36. Rubber goods (not otherwise classified)
37. Stable equipment and supplies
38. School supplies (not otherwise classified)
39. Seeds, plants, shrubs, trees, etc.
40. Tools and implements
41. Vehicles (including automobiles, trucks, wagons, carts, carriages, bicycles and motorcycles)
42. Wire rope and wire

Although this Bureau succeeded in formulating over 1,600 specifications, these covered not more than five per cent. of the different commodities used by the city. The work of the Bureau of Standardization is being partially carried on by a staff member of the Department of Purchase. It is naturally impossible for one individual adequately to perform this duty; consequently, few, if any, additions or revisions have been made. Practically all of the specifications of the United States Government, as they are issued, are adopted wholly or with modifications; in many cases they supersede the city's old standards. Specifications are sometimes drawn up by the Department of Purchase or by the engineering staff of the individual buying office concerned, to cover an item not previously purchased. If no specification is available, purchases are made wherever possible on sample. Standard samples are kept in a special sample room in the Department of Purchase and in the Bureau of Supplies of the

Department of Education for the assistance of the inspectors and the testing laboratories in checking deliveries. Such a system permits the using departments sometimes to plead the lack of specifications as an excuse for buying by sample the product of a favored vendor.

New or revised specifications must be adopted by the Board of Estimate and Apportionment before use. After adoption, the use of standard specifications is made mandatory by a resolution of the Board incorporated in the annual budget as follows:

"In so far as practicable, all contracts and open market orders for purchases to be charged against such appropriation shall be based upon specifications which are definite and certain as to character and quality, and which conform with standard specifications for the various classes of supplies, materials, fuel, and forage already approved or hereafter to be approved by this Board.

"That, in so far as such standard specifications may be established by this Board, the Comptroller at the time of certifying to the sufficiency of appropriations out of which such contracts are to be paid, shall also certify that the specifications for such supplies or materials, fuel or forage or other articles for which standard specifications have been prescribed, are in conformance with such standard specifications.

"That all open market orders issued by any department for supplies and materials, for which standard specifications shall have been prescribed, shall contain a description of the goods ordered, conforming with such standard specifications.

"That the Comptroller shall, in auditing claims for goods delivered on open market orders, determine, through inspection or otherwise, whether the goods delivered conform to such standard specifications."¹

The expanding service of the city constantly creates need for new specifications. Existing specifications should be revised and kept up to date to meet changes in manufacturing and distributing practices. Many of the city's standard specifications are obsolete. The city is the loser when a specification is too rigid, and requires special manufacture or higher quality than necessary. It is equally the loser when the specification is too lax and permits

¹ 1927 budget, p. 8.

the substitution of articles of inferior quality. Purchase by trade brand or sample, often necessitated by the lack of specifications, is likely to stifle competition. The Department of Purchase should have a staff technically trained in specification drafting to cooperate with the using departments in the revision or formulation of standards.

Purchase Negotiation

The procedure for soliciting and receiving bids and awarding contracts is prescribed by Section 419 of the Charter, and applies uniformly to all buying agencies of the city. One thousand dollars is established as a dividing line between open market and contract orders. All orders involving an expenditure of over \$1,000 may be awarded only on a formal contract after advertising for bids, "unless otherwise ordered by vote of three-fourths of the members elected to the Board of Aldermen." All orders involving less than \$1,000 may be purchased in the "open market" without advertisement.

The Board of Aldermen is very willing to exempt orders amounting to over \$1,000 from advertising and public letting upon request from a using department. In fact, such requests are seldom disapproved. During January and February, 1926, the Board of Aldermen granted exemptions which totaled \$338,520.¹ Some of these requests were undoubtedly justified. The city can often benefit from prompt purchase in the open market by waiving the delay and formality of advertising and public letting. But the Board of Aldermen frequently grants such requests when they are not accompanied by satisfactory statements establishing the need for open market purchase.

Advertising for bids on all contract orders is in theory centralized in the Board of City Record, for the Charter (Section 419) provides that pending purchases shall be advertised in the *City Record* for at least ten days before the date of award (11 days if delivery is to be made in Brooklyn). At present, however, the Board handles less than 25 per cent. of the total advertising required by law. The Board of City Record has no jurisdiction

¹ For the year 1926 the amount was \$1,907,207.

whatever over the legal notices the city, county, and surrogate courts, or the legal notices and contract advertisements of the Board of Elections, the Board of Water Supply, Transit Commission, or the Mayor's Office. These agencies may, or may not, as they see fit, use the *City Record* as an advertising medium.

It would seem wise to centralize in the Board of City Record the responsibility for all legal advertisements. Economies could be effected by its staff, the members of which are trained in reducing an advertisement to the smallest possible compass. The annual lump-sum appropriation of \$180,000 now given the Board for advertising in outside publications should be increased to include the separate appropriations now made for the same purpose to the Board of Elections, the Department of Education, etc. The cost of publishing the *City Record* during 1926 was approximately \$420,000; only one-twelfth of this cost, or \$35,000, can be charged to advertisements. Yet the advertisements alone, if carried in outside newspapers at the prevailing rate, would have cost the city over one million dollars.¹

On contract orders in 1925 the Bureau of Supplies, of the Department of Education, sent out about 4,000 direct requests for bids, to supplement newspaper advertisements. The Department of Purchase sends post card notices to its mailing list, stating that a contract is pending and requesting the vendors to write or send for the specifications and bid sheets. The Board of City Record, on the other hand, relies entirely on advertisements in the *City Record*. The Board has found that surety companies stimulate competition as a means for increasing their own business. It is believed, however, that the Board should send out notices and requests for quotations in addition to the advertisements. The Borough Presidents' offices depend solely upon advertisements in the *City Record*, or the "corporation newspapers" in Brooklyn,² to solicit bids on contract orders. The trade papers are, however, alert and are the source of information for most contractors.

Open market orders need not be advertised but competition

¹ According to statement of Deputy Supervisor of the *City Record*.

² See Charter, Section 1526.

is required wherever possible. Even patented articles with limited supply sources must be purchased under rules "permitting fair and reasonable opportunity for competition" as prescribed by the Board of Estimate and Apportionment.¹ All governmental subdivisions of New York State are required to buy state prison products without competition, in accordance with Sections 182 to 184 of the Prison Law. Prison products are confined chiefly to wearing apparel, waste baskets, brushes, brooms, benches, and furniture. The Department of Correction of the city also produces and sells such articles as towels, drinking cups, brushes, brooms, and baskets. Before purchasing any commodities which are produced in the prisons, the buyer must find out whether or not the order can be filled by the Department of Correction. The Bureau of Supplies, Department of Education, secures bids from commercial dealers and then asks the Department of Correction of the state or city, to meet the lowest price submitted. Prisons are thus compelled to match commercial prices. In case the city, for good reason, wishes to be released from purchasing prison products, a permit to do so can be secured from the State Department of Correction at Albany.

All buying agencies send out requests for quotations on open market orders. The Department of Purchase, the Bureau of Supplies of the Department of Education, and the President's Office of Manhattan request quotations from the entire appropriate mailing list. The Borough President's office in Brooklyn and Queens solicits bids from only five or six vendors on each order. A week or less is allowed for submitting bids, depending on the urgency of need for delivery.

Bids on contract orders are received sealed, and must be accompanied by cash, surety bond, or certified check on a New York City bank for $1\frac{1}{2}$ per cent. of the amount of the bid. Deposits are recorded by the buying office and are turned over to the security deposit division of the Comptroller's Office. No deposit is required with bids on open market orders.

Written open market bids are also received sealed. Except in the office of the Borough President of Queens they are not

¹ Charter, Section 1554.

opened until the date specified on the inquiry. In Queens open market bids are received unsealed. Bidders may change their quotations after they are submitted. The date for opening the bids and the award of the order is seldom specified on the request sent to the bidder. Although more in line with the prevailing practice in private business, this procedure is unusual in government purchasing.

Awarding the Order or Contract

Bids on contract orders must be opened in public, at the date and place specified in the advertisement, and in the presence of a representative of the Comptroller. As opened and announced, bids are recorded by the representative of the buying office. Bids of vendors who have defaulted on previous contracts or who are otherwise in arrears to the city may be rejected. The buying officers of some cities are given greater latitude in this respect. The city and county of San Francisco, for example, grant the purchaser of supplies authority to disqualify for one year any vendor who defaults on a contract or whose record for service is unsatisfactory.

The Charter requires the contract to be awarded to "the lowest bidder," unless the Board of Estimate and Apportionment by three-fourths vote rules otherwise. If two or more vendors are tied for the lowest bid, all bids are rejected and the contract is readvertised. Bids are submitted to the Department of Education and the award is made on each item in the order. The Department of Purchase makes either item or class award according to the circumstances of each order.

If the lowest contract bid is less than \$1,000, it is declared an "informal award" by the Department of Purchase and is issued without contract. All orders, regardless of the amount, are treated as contracts by the Board of City Record. This needlessly increases the work of the Comptroller, since deposits are submitted with all bids. Open market bids are opened by the Department of Purchase in the same way as contract bids, but the Comptroller is not represented at the opening.

The Charter (Section 420) prescribes the handling of security

deposits by the Comptroller's Office. Within ten days after opening of the bids, deposits are returned to all except the three lowest bidders. After the successful bidder has been determined, the deposits of the other two are then returned. If the successful bidder does not, within five days after notice of the award, enter into a contract with the city, his deposit is forfeited, bids are readvertised for, and the contract is reawarded. When signing the contract, the successful bidder must file with the Comptroller a bond or certified check on a New York City bank amounting to 30 per cent. of the contract price as surety for his faithful performance. This surety is returned upon the satisfactory completion of the contract.

Deposits handled by the Department of Purchase alone amount to about \$1,000,000 a year. This is an index of the vast amount of work devolved upon the Comptroller's Office by the present procedure. This work could be greatly simplified if contractors were allowed to file blanket surety bonds to cover all deposits up to a certain total amount and thus to eliminate the necessity for a separate bond and deposit with each bid and contract.

Contracts are prepared and signed by the buying office, approved by the Corporation Counsel as to form, and by the Comptroller as to sufficiency of appropriation balance.

For the most part only definite-price, definite-quantity contracts are awarded by the city. The Charter (Section 419) gives the city the right to increase or decrease the amount of the contract by 5 per cent. Different forms of contracts are used in other cities. Boston sometimes uses a form whereby the city is given the benefit of any price decline during the life of the contract. This provision appears in the contract for textbooks bought by the Department of Education, but does not apply to other commodities. St. Louis contracts for commodities on the basis of a certain discount from the prevailing market price at the time of delivery. Some cities enter into continuing agreements which permit them to renew the contract at the end of the contract period at the same price.

Nine-tenths of all purchases by the Bureau of Supplies, Department of Education, are on yearly contracts. The official list of

textbooks is agreed upon every five years by the Board of Superintendents. The contract is awarded for five years, renewed for four years, then three years, etc. Special contracts are awarded on each of the various classes of supplies. Contracts are arranged so that the work of the office is evenly distributed. Ten per cent. of educational purchases through the Bureau of Supplies are made on a non-contract basis. This covers items on which competition is limited or impossible. The total expenditures in the foregoing classifications which cannot be covered by regular contracts amounted in 1925 to \$454,000.

All open market orders handled by the Department of Purchase are actually issued and sent to the vendor by the using department. If prices secured are unsatisfactory to the user, the Department of Purchase must resolicit bids and reaward the order. The open market order is prepared by the Department of Purchase, signed by the secretary, forwarded for the signatures of the departmental chief and auditor, and thence goes to the vendor. A copy of the order is sent to the inspection division of the Finance Department for checking deliveries and claims.

By this plan the Department of Purchase is merely a price getting agency. The contract with the vendor and the responsibility for the purchase are divided between the Department of Purchase and the using department. This may facilitate connivance between the vendor and the individual using department. The latter may reject the order when it comes through from the Department of Purchase for signature, on the pretext of an unsatisfactory price, notify a favorite vendor of the price stated on the order, and enable him to compete for the order when it is readvertised and reawarded by the Department of Purchase. Thus responsibility for both contract and open market orders is not centered in the Department of Purchase. If responsibility were centered, there would be no excuse for separate departmental buying offices.

All responsibility for following up orders and securing timely deliveries now rests with the receiving departments. Many cities make the purchasing agency responsible for securing delivery. This seems more logical. The supplier will more quickly

heed a notice or telephone call if it comes directly from the office which will issue future orders.

Audit and Payment of Claims

The Charter (Section 149) provides for a "pre-audit" of contract expenditures by the Comptroller who, when approving the contract, encumbers the appropriations concerned, thus insuring funds for payment. Open market orders carry the certification of the auditor of the issuing department that appropriation balances are adequate. If the departmental auditor authorizes an expenditure in excess of the available balance, the Comptroller could refuse to approve the resulting claim unless he could arrange for transfer of funds from some other appropriation account with the consent of the Board of Estimate.

Invoices for all deliveries are submitted in quadruplicate to the receiving department. The office of the Borough President of Manhattan requires the invoice to accompany the delivery of goods for the convenience of the receiving clerk. In all other cases invoices are sent directly by mail to the receiving office, which at once forwards a copy to the Division of Inspection of the Finance Department, as a notice that delivery has been, or is to be, made.

The Bureau of Audit, Department of Finance, is given authority by the Charter (Section 149) to revise claims on open market orders if the prices are not "just and reasonable." This power does not extend to claims on contracts since it is assumed that the advertisement for bids has secured adequate competition. Furthermore, the Comptroller is not represented at the opening of open market bids, but is a party to the awarding of contracts. Therefore, "just and reasonable" has been construed by the Comptroller as "in accordance with prevailing market prices." When any claim is exorbitant, the Bureau of Audit revises it downward and the vendor has no recourse save through litigation. A file of catalogues and price lists is maintained to assist the Bureau of Audit in this work. No other city, so far as known, gives its Finance Department this wise but sweeping power over open market invoice prices.

The Bureau of Audit approves no claim for payment until it has also been approved by the receiving department, and certified by the inspection division that satisfactory delivery has been made. With the accounting procedure for the entire city centralized in the Comptroller's Office, the departmental auditing of claims could be dispensed with and invoices could be submitted directly to the Finance Department. Furthermore, the departmental approval of open market orders could be eliminated. This is a needless step, since the Comptroller also encumbers the appropriation upon receiving an "advice of award" which indicates that the auditor in the department has already done the same thing. With purchasing centralized in the Department of Purchase and accounting control centralized in the Comptroller, the purchasing and paying procedure would be greatly simplified and expedited. The city would also secure the discounts for prompt payment of claims which are now often lost by the delay in approval by the receiving departments. There is the possibility also that, in order to embarrass vendors who are disliked, some departments may hold up the approval of claims and issuance of vouchers. This serves to lessen competition and lose the cash discounts.

Inspection of Deliveries

Section 149 of the Charter (by implication) gives the Finance Department authority to inspect all deliveries in connection with the auditing of claims against the city. The inspection division of the Bureau of Audit receives a copy of every order issued by the buying agencies of the city, and a copy of the invoice from the receiving department in advance of, or soon after, delivery. Inspection is usually made on the day following the receipt of the invoice. All commodities are inspected as and where delivered. No delivery is supposed to be used until it has been inspected and passed by a representative of the Finance Department.

The inspectors determine whether the quality and quantity delivered conform to the quality and quantity purchased. The division also inspects certain personal service, such as bands hired by the city for park concerts, parades, etc.

If the delivery is found deficient in quantity or quality, the inspector recommends its rejection and states the reasons therefor in his report on the inspection copy of the order. A report recommending rejection, signed by a Deputy Comptroller, is then forwarded to the head of the receiving department and a copy is sent to the vendor. The Bureau of Audit may refuse payment if rejected material is accepted by the using department. The Department of Purchase should have power to accept or reject deliveries on the basis of the inspector's report subject to review by the Comptroller.

Forty-five inspectors are employed full time. The division has specialists on lumber, meats, forage, and foodstuffs who inspect deliveries of such commodities anywhere in the city. The rank and file of the staff, however, are assigned to prescribed geographical zones within which they are responsible for inspecting all deliveries to all using agencies. The inspectors are rotated and assigned to new districts at frequent periods. Approximately 500,000 deliveries are inspected yearly. In December 1909 it was stated that there were then over 1,300 different points in the city at which supplies were received. The number now is probably much greater. This fact alone shows how difficult it is for the present inspection staff of the Finance Department to examine all deliveries.

Certain delivery points in outlying sections report that weeks, or months, elapse between visits of the finance inspectors. It is necessary, consequently, to use without inspection the supplies which are badly needed or which are perishable. The inspectors must then accept the word of the receiving clerk that satisfactory delivery has been made. For the Education Department the finance inspectors examine only meats and foodstuffs; all other deliveries are examined by the staff of fifteen inspectors attached to the Bureau of Supplies. The Department of Purchase has twelve inspectors who examine all deliveries of foodstuffs for the mayor's departments. Several other departments which are large users of supplies, material and equipment, have their own inspection staff on account of the inability of the Finance Department adequately to perform the function. The Board of

City Record maintains an inspector of printing and stationery at its central delivery point on Worth Street. An inspector from the Finance Department is also on full time duty at the same place, fulfilling the same function. This illustrates the duplication of effort resulting from the maintenance of two staffs of inspectors to do the work of one. The city loses an indeterminate but considerable amount in lessened competition resulting from the present diversification in interpreting and applying specifications by the different inspection forces. A delivery acceptable to one department may be rejected by another, or vice versa.

Responsibility for inspection of all deliveries should rest with the Finance Department. New York City, with its present array of delivery points and its decentralized stores system, should continue, it is believed, a check on deliveries by this independent and impartial office. The departmental inspection staffs should be abolished and the best qualified inspectors should be transferred to the Finance Department in such number that the inspection division can satisfactorily perform its task.

Testing

The central testing laboratory at 125 Worth Street was established in 1912 as a branch of the Board of Estimate and Apportionment, but since 1920 has been attached to the Department (formerly the Board) of Purchase. The laboratory is manned by a chief chemist and a staff of twenty-two at an annual cost of \$50,000 for personal services. About 6,000 tests are made each year. The majority of tests are of samples submitted by the inspectors of the Department of Purchase. Materials for street construction and repair in the boroughs of Richmond and Bronx are tested by the central laboratory; separate testing laboratories for this purpose are operated by the Borough Presidents' offices in Manhattan, Brooklyn, and Queens. The Bureau of Supply of the Education Department has its own laboratory. The testing laboratory is "central" in name only.

The report of the test by the central laboratory is addressed to the Department of Purchase or other buying agency if it concerns a sample submitted with bid; to the receiving agency, if a sample

of delivery. In the latter case, the report passes through the division of inspection of the Finance Department, or the Department of Purchase, on its way to the receiving agency. Tests are made to determine compliance with specifications, comparison with standard sample on which the order was awarded, or the composition and market value of the delivery.

Samples submitted with bids are seldom tested and only a small proportion of all deliveries is passed upon. The central laboratory is handicapped by the inadequacy of its staff. Often a month or more elapses before a sample can be tested, and the report made ready. This causes delay in purchase if the sample is submitted with the bid, and delay in payment of the claim, if the sample is of a delivery.

The central laboratory should be given a larger staff to care promptly for all tests for all using departments. Departmental laboratories should be dispensed with, except those maintained by the departments of health and welfare for medical and pathological purposes. The testing laboratory should work closely with the standardization division of the Department of Purchase in revising existing specifications and determining by test the suitability of new specifications before their adoption; and with the inspection division of the Finance Department in determining quality of deliveries.

Storage

Comptroller Prendergast's plan in 1913 advocated a central storehouse to be in charge of a general storekeeper who would also have authority to establish and maintain a uniform system of stores accounts for all the departments. As an outgrowth of this suggestion, the Division of Municipal Investigation and Statistics of the Finance Department installed in various departments a uniform stores-keeping and accounting system, but no attempt has ever been made to set up a central supervision over stores.

The Department of Purchase is authorized by the Charter "to maintain and operate . . . such storehouses as may be legally provided," but no appropriation has ever been made to establish a central storehouse or to supervise those now in operation.

The Board of City Record, as already stated, has a central delivery point at which all stationery supplies are inspected and stored, pending their transfer to the using departments in trucks operated by the Board. The advantages of this plan for a careful system of inspection are obvious.

The Department of Purchase should have some jurisdiction over the departmental storehouses and should receive annual inventories and periodic reports on receipts, disbursements, and stocks on hand. The department could then keep consumption records and be in position to anticipate needs when market conditions were favorable for the purchase of certain commodities. Certain departmental storehouses which are especially equipped for storage of one or more commodities might be used as a central depository for the entire city government, as in the case of the stationery storehouse operated by the Board of City Record.

This survey makes no pretense to discussing and appraising the city's storage system. Each of the Borough Presidents' offices maintains several storehouses. Manhattan has two; one is operated by the Bureau of Highways, the other by the Bureau of Public Buildings and Offices. Queens has a total of fourteen storehouses and storage yards, all supervised by the purchasing agent. Complete and comprehensive storage systems are also maintained by the Departments of Water Supply, Gas, and Electricity, of Health, of Public Welfare, and several others.

The Bureau of Supplies of the Education Department has four storehouses. Through these pass annually about four million dollars worth of supplies and equipment. The remaining supplies are delivered by the vendors directly to the consuming branches. This complicates the work of inspection, reduces the quantities purchased at one time, and so tends to increase the unit cost. It is believed that one or two central storehouses large enough to care for all supplies, would be a sound investment for the city, and would enable the present storage staff to handle practically all the purchases at little added overhead cost. The present annual expenditure of \$61,000 for rental of storage space could be applied to the cost of the storehouse.

The present storage cost could be considerably reduced if

all educational supply funds were merged. In 1925, ninety-two separate funds were maintained, each requiring separate stocks and storage accounts. This situation speaks for itself.

Disposal of Surplus Supplies and Equipment

Section 1553 of the Charter makes the Sinking Fund Commission the custodian of surplus property, supplies, and equipment. This function is carried out by a staff member of the division of Municipal Investigation and Statistics of the Finance Department, under supervision of the Comptroller.

By resolution of the Sinking Fund Commission on April 21, 1926, the Comptroller, (a member of the Commission), was given exclusive authority to supervise such transfers, subject to periodic reports to, and approval by, the Commission as a body.

Any department head who has on hand equipment or supplies which are surplus or unfit for use, accordingly notifies the Sinking Fund Commission. If the estimated value of such supplies or materials is one hundred dollars or over, an appraisal and description of such property is made by the Comptroller's representative who then notifies the heads of all departments which might make use of such property. The first applicant receives the property free of charge. If no department enters a claim, the property may be sold. The value of such inter-departmental transfers in 1926 was \$60,000. The amount has varied in past years from \$50,000 to \$200,000.

Any supplies or materials which have become obsolete and no longer of use are listed for sale by the owning department. Competitive bids are solicited or a public auction is advertised for five days in the *City Record*. A transcript of bids received is forwarded to the Comptroller, who sends his representative to make a personal investigation. If the highest bid is satisfactory, the sale is made and the proceeds are turned over to the sinking fund commission, to be applied to the reduction of the city's debt.¹ The Department of Education sells old furniture at fifty

¹ Proceeds from the sale of old fire hose, fire engines, etc., by the Fire Department, and of uncalled for stolen property by the Police Department, are credited to the pension funds of those departments, as provided by the Charter, Sections 353 and 789.

cents a piece to religious and educational organizations. About thirty-five tons of old books are sold each year as waste paper and the proceeds are turned into the fund for the purchase of new books, in accordance with the Charter (Section 1066).

The custody of surplus property should be a function of the Department of Purchase. If the Department of Purchase were given a general supervision over the storage system and thereby had knowledge of the stocks on hand as well as the needs of each department, it could prevent the purchase of new supplies and equipment in many cases by transfer of surplus stock from some other department. The proceeds of sales could still be turned over to the Sinking Fund Commission.

CHAPTER V

THE REVENUES OF NEW YORK CITY

The revenues of New York City are greater than those of any governmental unit in the United States except those of the federal government itself. In 1926, the cash receipts of the city, exclusive of borrowings, were \$496,808,497. In 1927 they will exceed a half billion dollars, an amount reached by the government of the United States only within a generation.

The Sources of Revenue

The receipts of New York City exclusive of borrowings may be grouped under the following 12 headings:¹

1. General property taxes on real estate and tangible personal property;
2. State taxes of which the city receives a share such as the state income taxes;
3. Fees, licenses, permits, and privileges;
4. Assessments for local improvements and charges for specific work done or material furnished by the city;
5. Fines and forfeitures;
6. Subventions, chiefly from the state for the support of public education;
7. Rentals, including markets, docks, ferry and other franchises, and real estate rentals;
8. Earnings of public service enterprises, especially water and city owned ferries, trolleys, buses, and subway;
9. Earnings of general departments for minor services, documents, etc.;

¹ For a full classification of the city's resources, see Appendix K.

TABLE I
COMPARATIVE STATEMENT OF CASH RECEIPTS OF CITY OF NEW YORK

	1915	1918	1921	1924	1925	1926
1. General Property Taxes						
a. Real estate	\$144,945,881.39	\$180,194,494.75	\$246,538,044.00	\$282,920,334.50	\$297,961,023.80	\$328,165,996.63
b. Special franchises	8,000,340.97	7,735,655.42	6,235,260.17	10,481,978.81	11,179,191.82	11,426,880.81
c. Personal property	4,953,244.96	4,051,449.08	2,980,593.19	2,314,978.87	2,231,400.48	2,208,150.48
d. Real estate of corporations . . . . .	.....	.....	6,256,480.60	7,494,071.84	7,817,063.15	8,489,365.97
2. State Taxes Shared with City						
a. Bank and moneyed capital	3,607,183.12 ¹	4,271,154.34 ¹	5,912,134.05 ¹	7,393,451.08	7,467,897.03	7,460,675.02
b. City's share from state	.....	.....	.....	.....	.....	.....
Income . . . . .	.....	.....	11,615,780.22	12,025,373.20	15,040,733.50	18,186,432.83
Mortgage . . . . .	.....	752,990.34	1,378,597.95	3,608,540.98	4,061,540.26	4,722,020.81
Corporation . . . . .	.....	2,759,785.42	8,631,274.48	6,236,286.02	7,562,092.05	7,641,698.03
Real estate brokers and salesmen . . . . .	.....	.....	.....	176,041.68	214,083.49	96,537.99
Motor vehicles . . . . .	.....	934,906.87	1,146,310.19	2,131,595.26	2,409,464.71	2,724,059.70
Excise	5,248,040.94	8,280,307.94	24,555.32	.....	.....	.....
3. Fees, Licenses, Permits, Privileges, Etc.						
a. Licenses	778,707.09	741,850.50	904,841.51	1,016,931.90	1,396,907.22	1,528,101.93
b. Permits	143,104.35	139,513.45	260,199.87	783,398.13	909,487.07	814,916.75
c. Privileges and concessions	546,261.52	588,623.03	650,143.12	997,277.83	1,056,604.45	999,764.90
4. Assessments						
a. Local public improvements	8,064,210.35	6,031,054.76	9,073,162.38	9,675,063.57	14,158,718.21	18,683,279.14
b. Labor and material furnished by city	902,197.56	960,451.77	1,721,708.18	1,764,217.43	2,825,581.42	1,863,780.77
5. Fines and Forfeitures						
a. Fines and penalties	717,589.31 ²	479,718.55	1,365,864.43	1,317,375.50	1,334,226.70	1,380,331.80
b. Forfeitures	144,217.34	153,873.98	486,888.71	365,218.18	247,077.05	526,927.69
6. Subventions and Donations						
a. State contributions	2,221,671.94	2,526,607.07	17,190,500.44	19,762,925.21	20,709,051.21	21,560,670.38
b. Private donations and legacies	100,000.00	.....	.....	.....	.....	.....

¹ No money capital tax this year.

7. Rentals	2,371,655.82	2,392,232.56	2,982,238.05	2,627,648.88	2,646,826.25	2,651,403.70
a. Rentals of public utilities	4,878,674.36	6,198,581.24	6,768,593.13	6,864,156.57	7,004,214.61	7,206,999.08
b. Dock and ship rents	277,751.95	253,674.61	292,047.30	363,674.23	366,999.09	471,417.25
c. Ferry leases	1,109,425.56	913,253.97	1,518,353.36	1,907,226.59	2,348,680.34	2,093,618.73
d. Franchise fees	277,385.48	185,854.25	146,474.85	130,182.50	132,615.55	139,416.30
e. Tolls on bridges	232,301.82	283,077.43	435,549.61	780,549.02	421,090.90	422,349.34
f. Leases of markets	323,790.09	392,779.52	531,262.15	596,836.76	659,846.95	715,635.32
g. All other rentals . . . . .	.....	.....	.....	.....	.....	.....
8. Earnings of Public Service Enterprises	13,078,983.20	13,468,435.36	15,886,990.86	18,296,546.33	19,988,114.05	21,276,884.93
a. Water supply	1,014,849.43	1,199,831.91	1,833,750.80	2,767,044.17	2,877,908.92	3,065,437.78
b. Municipal ferries . . . . .	.....	.....	412,441.72	978,365.87	919,347.48	843,833.65
c. Municipal railways and trolleys . . . . .	.....	.....	.....	.....	.....	.....
9. Earnings of General Departments	885,213.47	1,352,247.44	2,960,923.40	4,434,374.59	4,461,740.14	4,813,405.62
a. Fees and commissions	281,441.44	326,973.74	386,175.51	407,485.51	430,527.56	326,336.23
b. Sale of transcripts, publications &c. . . . .	.....	.....	.....	.....	.....	.....
10. Miscellaneous General Earnings	8,300.66	4,892.82	1,954.52	36,797.09	32,738.37	40,839.40
a. Revenue from investments	890,738.11	673,402.71	1,142,665.03	959,593.02	1,098,378.35	1,128,884.17
b. Interest on deposits (bank)	3,752,728.63	2,304,167.66	3,022,746.43	4,153,668.79	5,230,814.96	6,192,738.12
c. Other interest and penalty charges	906,309.67	.....	1,873,860.00	799,431.40	1,391,820.00	794,175.00
d. Premiums corporate stock sales . . . . .	.....	.....	.....	.....	.....	.....
11. Miscellaneous Accruals, Charges, Deductions, Refunds, and Reimbursements						
a. Applicable to tax reduction	339,634.98	440,881.27	621,008.63 ¹	788,093.29	881,771.78	878,189.24
b. Restricted to specific disbursement	2,602,559.38	1,329,564.57	1,134,544.71 ¹	2,377,484.65	1,123,373.28	3,344,122.05
12. Sale of Assets						
a. City owned real estate	150,627.34	27,188.65	3,236,866.86	453,363.57	354,641.83	1,796,760.70
b. Waste material	82,648.75	71,191.66	39,044.75	14,675.85	151,680.08	116,479.81
Total Receipts except Borrowings	\$214,669,021.04	\$252,422,678.64	\$368,501,601.53	\$420,192,493.67	\$451,235,288.11	\$496,808,497.15
13. Borrowings						
Net increase in indebtedness	54,244,716.94	8,288,210.24	.....	.....	.....	.....

¹ Includes court fees.

10. Miscellaneous general earnings as from bank interest, premiums, and investments other than those of the sinking funds;
11. Miscellaneous accruals, charges, deductions, and refunds;
12. Sale of assets, such as unnecessary real estate and waste materials.

The Growth of the City's Revenues

Since 1915 the cash receipts of the city have grown from 214 million dollars to 496 million dollars, or 131 per cent. This growth has been gradual and persistent. In order to be understood the growth must be analyzed. This is done in the accompanying charts and tables which are based upon tables presented in the appendix.¹

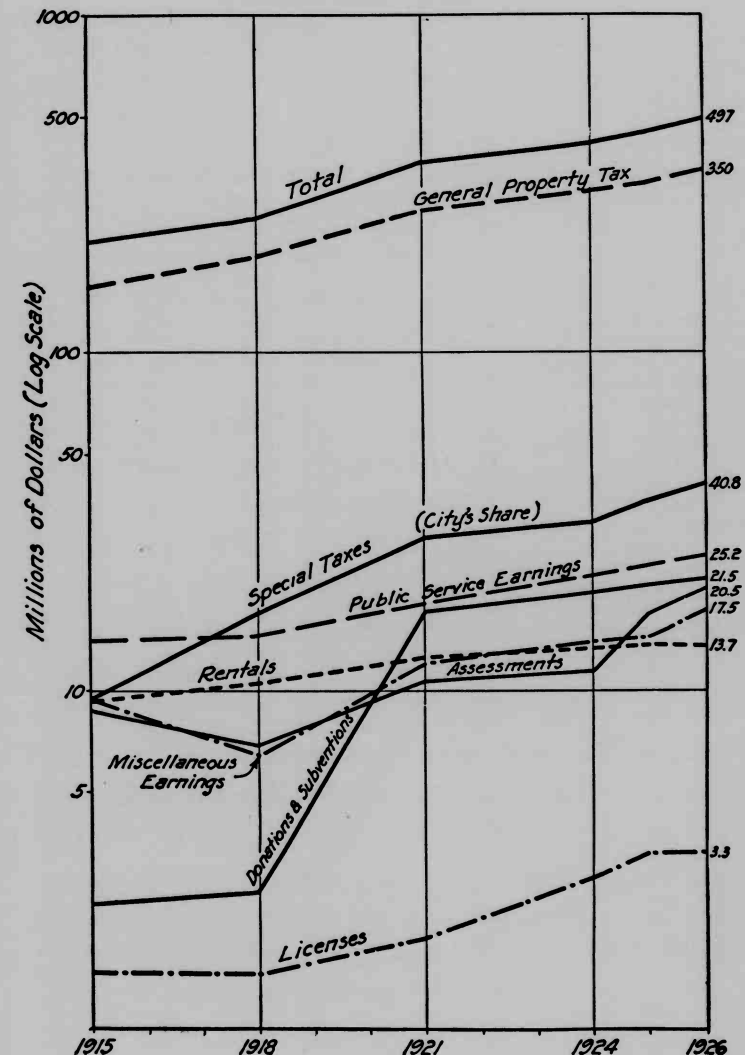
Table I shows by sources, in accordance with the revenue classification, the amounts received by the city in each of the last three years compared with the receipts for 1915, 1918, and 1921. It covers a span of eleven years and includes the period of war inflation and subsequent readjustment.

The totals of Table I for each general class of revenues are shown graphically in Chart I. This chart is drawn on a ratio, or logarithmic scale, so that the upward *slant of a line*, or of any part of a line indicates the *rate of increase*. From this chart it will be seen that the total has increased at a steady rate throughout the period, though the rate was slightly faster between 1918 and 1921. The general property tax, which furnishes some 70 per cent. of the city's revenues, has not increased as fast as has the total. The two lines, though almost parallel, are slightly further apart in 1926 than they were in 1915, due chiefly to the fact that the increase of general property taxes was not quite as rapid from 1918 to 1921 as was the increase of the total revenues.

The lower curves of Chart I show the rate of increase for each of the major sources. The most conspicuous increase recorded is that for subventions, which rose from \$2,526,000 in 1918 to \$17,190,000 in 1921. The only other rapid increases are for

¹ See p. 295.

CHART I
GROWTH OF NEW YORK CITY'S CASH RECEIPTS BY SOURCES
SELECTED YEARS FROM 1915 TO 1926



departmental earnings and for the city's share of state taxes. The increase in the sales of assets is fortuitous and of little significance from a general revenue standpoint.

The percentage increases (over the figures for 1915) shown in each of the major sources of revenue are set forth in Table II. This gives in percentages the matter expressed by the curves of Chart I.

TABLE II
PERCENTAGE GROWTH OF REVENUES BY SOURCES OVER FIGURES FOR 1915¹

SOURCE	1918	1921	1924	1925	1926
1. General property taxes	21.5	65.9	92.0	102.1	121.8
2. State taxes (city's share)	75.4	196.3	226.3	279.3	321.4
3. Fees, licenses, etc.	.1	23.8	90.6	129.1	127.7
4. Assessments	-22.	20.4	27.6	89.4	129.1
5. Fines and forfeitures	-26.5	115.0	88.3	83.5	122.4
6. Subventions and donations	8.8	640.4	751.2	792.0	828.6
7. Rentals	12.13	33.82	40.21	45.5	44.66
8. Earnings of public service enterprises	4.1	28.7	56.4	68.8	78.7
9. Earnings of general departments	43.9	186.9	315.0	319.3	340.5
10. Miscellaneous general earnings	-46.3	25.1	6.9	38.3	46.8
11. Miscellaneous accruals, charges, deductions, and refunds	-39.8	-40.3	7.6	-31.8	43.6
12. Sale of assets	-57.8	40.4	100.6	117.0	720.1
Total	17.59	71.66	95.74	110.20	131.4

Comparative Importance of Revenue Sources

The importance of the different sources of city revenue and the percentages of the total derived from each are shown in Table III.

The material of this table is presented graphically in Chart II. This diagram brings out a number of facts unmistakably. In the first place, the general property tax is the backbone of the

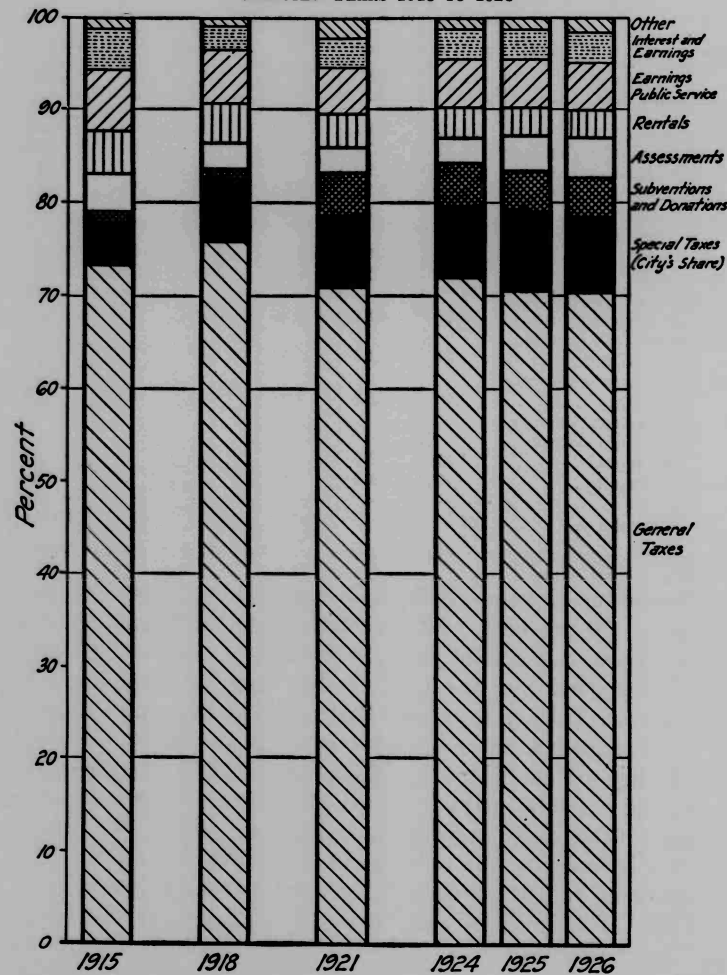
¹ See Table I, pp. 132 and 133.

TABLE III
PERCENTAGE DISTRIBUTION OF NEW YORK CITY'S CASH RECEIPTS FROM SPECIFIED SOURCES FOR SELECTED YEARS

SOURCE	1915	1918	1921	1924	1925	1926
1. General property taxes	73.56	76.06	71.10	72.16	70.74	70.51
2. State taxes (city's share)	4.51	6.73	7.79	7.53	8.15	8.22
3. Fees, licenses, etc.	.68	.58	.49	.67	.75	.67
4. Assessments	4.18	2.77	2.93	2.72	3.76	4.14
5. Fines and forfeitures	.40	.25	.50	.39	.35	.39
6. Subventions and donations	1.08	1.00	4.66	4.70	4.59	4.34
7. Rentals	4.41	4.21	3.44	3.16	3.05	2.76
8. Earnings of public service enterprises	6.57	5.81	4.92	5.26	5.27	5.07
9. Earnings of general departments	.54	.67	.91	1.15	1.09	1.64
10. Miscellaneous general earnings	2.59	1.18	1.89	1.41	1.70	1.03
11. Miscellaneous accruals, charges, deductions, and refunds	1.37	.70	.48	.75	.44	.85
12. Sale of assets	.11	.04	.89	.11	.11	.38
Total	100	100	100	100	100	100

city's revenue system. It is producing, and has for many years produced, 70 per cent. or more of the total revenues. In the second place, the general property tax is now bearing a slightly smaller proportion of the total burden than has been usual in past years. Thirdly, it appears that only two important sources of revenue show a marked increase in the proportion of the total which they are contributing. These are the city's share of state taxes and the subventions received from the state for the public schools. The only proportionate increase among the minor sources is found in the earnings of general departments which now amount to 1.64 per cent. of the total, as against .54 per cent. in 1915. The decrease in the proportion falling upon real estate and other taxable property is thus to be attributed almost entirely to the growth of state aid for schools and to the development of the state taxes which are shared with the city.

CHART II
PERCENTAGE OF NEW YORK CITY'S CASH RECEIPTS FROM SPECIFIED SOURCES
SELECTED YEARS 1915 TO 1926



NOTE: This chart indicates the relative importance of the different sources for certain specified years. It will be noticed that the spacing from left to right does not correspond accurately with the time intervals.

REAL PROPERTY TAXES

The property tax, which produces 70 per cent. of the city's revenues, is in reality a tax on real estate. Personal property has all but disappeared from the tax rolls. It now represents but 2 per cent. of the total roll as is seen below.

The Tax Burden of the Boroughs

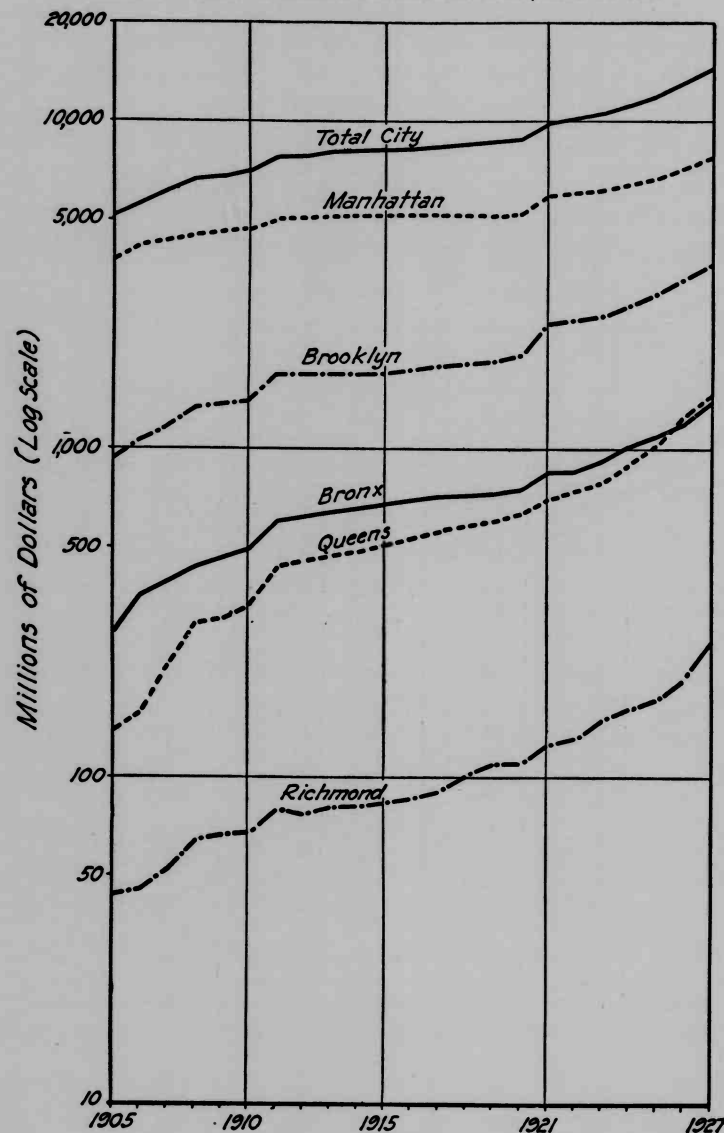
In considering the real estate tax it is more satisfactory to deal with assessed values and tax rates than with receipts because receipts are confused with discounts, back taxes, or delinquencies.

TABLE IV
ASSESSED VALUES OF REAL ESTATE BY BOROUGH, 1905 TO 1927
(In millions of dollars)

YEAR	MANHATTAN	BROOKLYN	QUEENS	BRONX	RICHMOND	TOTAL
1905	3,820.7	941.0	140.4	274.8	44.6	5,221.5
1906	4,105.3	1,072.0	159.4	355.8	45.9	5,738.4
1907	4,391.9	1,181.2	217.7	396.7	52.9	6,240.4
1908	4,584.5	1,335.0	296.4	441.2	65.3	6,722.4
1909	4,614.4	1,354.8	308.1	462.7	67.1	6,807.1
1910	4,743.9	1,404.0	334.5	493.8	67.9	7,044.1
1911	5,037.8	1,689.3	446.5	605.2	80.0	7,858.8
1912	5,035.4	1,675.0	456.7	616.4	78.3	7,861.8
1913	5,126.9	1,680.0	477.8	640.3	81.6	8,006.6
1914	5,149.2	1,671.1	488.7	658.7	82.1	8,049.8
1915	5,145.8	1,691.9	509.5	677.1	84.4	8,108.7
1916	5,129.8	1,752.4	539.4	698.8	87.4	8,207.8
1917	5,088.3	1,790.9	569.9	714.2	91.2	8,254.5
1918	5,094.6	1,826.8	591.6	726.1	100.5	8,339.6
1919	5,115.8	1,865.1	604.8	731.8	110.8	8,428.3
1920	5,186.7	1,937.9	636.4	753.3	111.8	8,626.1
1921	5,878.8	2,395.5	718.8	852.4	127.4	9,972.9
1922	6,058.6	2,447.0	748.6	864.0	131.7	10,249.9
1923	6,177.8	2,536.6	804.0	926.7	150.9	10,596.0
1924	6,402.5	2,689.7	904.6	988.2	163.8	11,148.8
1925	6,721.0	2,918.5	1,013.6	1,074.3	173.9	11,901.3
1926	7,154.5	3,230.9	1,227.7	1,189.2	195.3	12,997.6
1927	7,785.1	3,606.6	1,483.5	1,407.5	257.1	14,539.8

CHART III

ASSESSED VALUES OF REAL ESTATE BY BOROUGH, 1905 TO 1927



On the basis of assessments it is possible to record the comparative growth of the general taxes falling upon the five boroughs, for the assessed values are used as the basis of the distribution. This is done in Table IV.

This same material is presented in Chart III.¹ It will be noted that the most rapid increase is in Queens which has now gone ahead of the Bronx. Richmond shows the second fastest rate of increase, though the Bronx is not far behind. Manhattan is, of course, the most stable borough, though even here the increases since 1905 are 104 per cent.

Assessed values are a true measure of the distribution of the city tax burden among the boroughs. The assessed values do not, however, reflect the comparative tax paying capacity of the property of the boroughs because, as is generally and officially admitted, the ratio of assessment is different in the different boroughs. No allowance is made for this fact in the apportionment of city taxes. This failure to assess property in the boroughs on the same basis or to equalize the levy produces a serious discrimination in the distribution of taxes as among the boroughs. For example, in 1927, it appears that Manhattan is paying \$982,880 more than its rightful share of the general city burden, including city-wide assessments, while Queens is paying \$1,541,521 less than its share. Brooklyn is paying \$1,450,187 too much, the Bronx \$624,413 too little, and Richmond \$267,133 too little. These computations are based upon the official data² furnished to the State Tax Department by the New York City Commissioners of Taxes and Assessments. Table V presents the detailed figures.

Full Values and True Tax Rates

In the case of the borough of Manhattan it is possible to arrive at an approximate figure for the ratio of true values to assessed values as shown by actual sales, since these are gathered and tabulated weekly by the *Record and Guide*.³ Sale values cannot be taken as infallible indices of true values. Nevertheless

¹ See p. 141.

² See *Report of State Tax Commission*, 1925, pp. 61, 63, 95.

³ Published by The Real Estate Board of New York.

TABLE V
ASSESSED VALUES, FULL VALUES, AND ADJUSTMENTS NECESSARY TO EQUALIZE 1927 REAL ESTATE TAX LEVIES AMONG
THE BOROUGH OF NEW YORK CITY

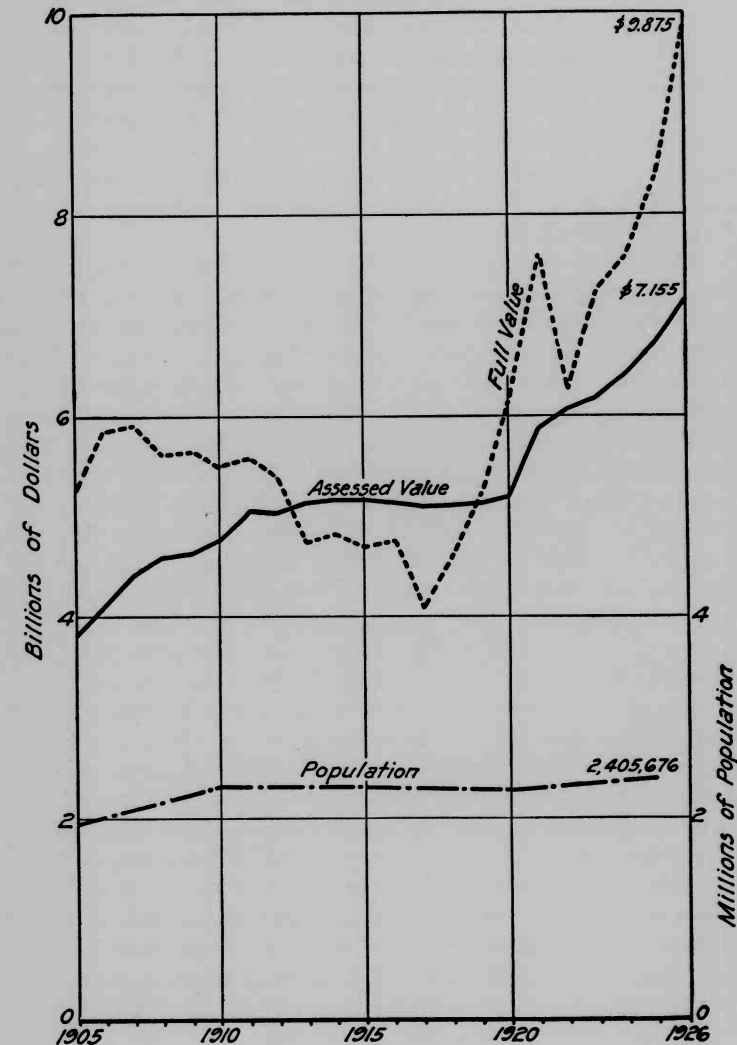
Borough	VALUE OF TAXABLE REAL ESTATE, 1927			TAX LEVY BY BOROUGH		ADJUSTMENT NECESSARY TO EQUALIZE TAX LEVIED IN 1927
	Assessed Value	Rate of Equalization 1927	Full Value at Rate of Equalization	Present Basis	Full Value Basis	
	(1)	(2)	(3)	(4)	(5)	(6)
Manhattan . . .	\$7,785,110,325	93	\$8,371,086,371	\$202,843,944.80	\$201,861,064.58	-\$982,880.22
Brooklyn . . .	3,606,595,553	94	3,836,803,780	93,971,188.43	92,521,001.61	-1,450,186.82
Queens . . .	1,483,512,362	89	1,666,867,822	38,653,466.31	40,194,987.62	+1,541,521.31
Bronx . . .	1,407,539,417	91	1,546,746,645	36,673,962.97	37,298,375.68	+624,412.71
Richmond . . .	257,080,546	89	288,854,546	6,698,329.23	6,965,462.25	+267,133.02
Total . . .	\$14,539,838,203		\$15,710,359,164	\$378,840,891.74	\$378,840,891.74	

(1) From Report of the Committee on Finance of the Board of Aldermen, March 1, 1927, p. 2.

(2) From 1927 Equalization Table issued by State Department of Taxation and Finance.

(3) Tax levy on real estate for city, county, and debt service, 1927, is \$373,731,010.02, to this is added city-wide special assessments, which are also levied on real estate, of \$5,109,881.72, to give the total levy on real estate which is \$378,840,891.74.

CHART IV
ASSESSED VALUE AND FULL VALUE OF TAXABLE REAL ESTATE IN MANHATTAN
1905 TO 1926



they are the best single index available, especially if a considerable number of sales are examined. Chart IV is based on these figures. It shows the assessed value of real estate in Manhattan by years from 1905, compared with the full value of real estate as corrected by the sales ratios from the *Record and Guide*. While the "full value" curve is undoubtedly inaccurate at certain points because of the nature of the information upon which it is based, it is probably substantially correct. It is based upon 22,900 individual transactions spread over the period of 22 years and involving considerations totalling over a billion and a quarter dollars. Table VI presents the basic figures.

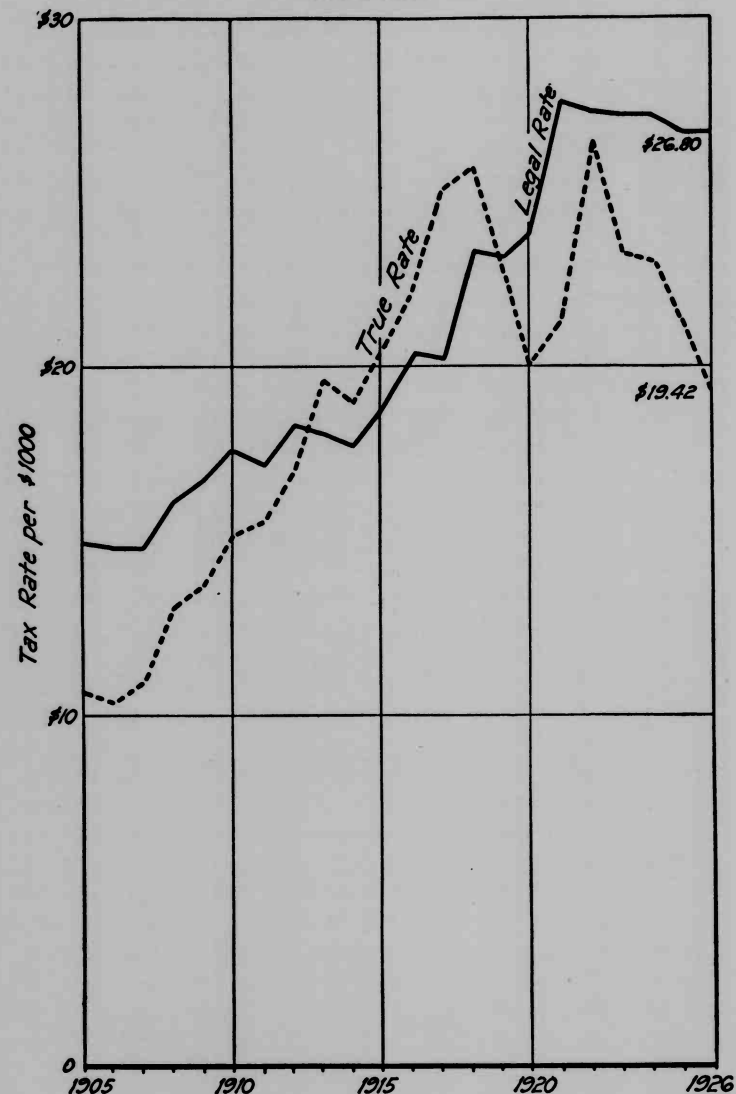
What would the tax rate in Manhattan have been each year if all property had been assessed at full value? In other words, what was the true tax rate? The legal, or actual tax rate and the true, or corrected, tax rate are shown on Chart V. The figures are drawn from Table VI. If one may accept the *Record and Guide* sales figures as trustworthy, it appears that from 1905 to 1912 the true rate was consistently below the legal rate. In 1910, for example, the taxpayer was called on to pay \$1.76 on each hundred dollars of assessed value, but, by and large, property was assessed at only 86 per cent. of its value so that the tax he paid was \$1.517, which is equivalent to a tax rate of 1.517 on one hundred dollars of full valuation. From 1913 to 1918, according to the *Record and Guide* figures, the situation was reversed. Property was assessed so high that actual values were less than assessed values with the result that the legal tax rate was, as a matter of fact, lower than the true tax rate paid. Since 1918, the pre-war situation has been reestablished. In spite of the rapid increase of the legal tax rate up to 1921, and the increase of assessments in Manhattan, as shown on Chart III, the true tax rate has been consistently below the legal tax rate since 1919. The great decrease since the high point of 1922, has carried true tax rate to the lowest level reached since 1914, has been going down since, with the exception of the high point reached in 1922. This may appear contrary to the experience of property owners who are painfully conscious of their growing tax bills, especially if they are not conscious of the even greater increase that has

TABLE VI
CORRECTED ASSESSMENTS AND TAX RATES FOR MANHATTAN, 1905 TO 1926

Year	REAL ESTATE TRANSFERS				TAX RATE		TAXABLE REAL ESTATE	
	Number of Cases	Consideration	Assessed Value		Legal	True (6) x (5)	Assessed Value	Full Value (8) ÷ (5)
			Amount	Percentage of Consideration (4) ÷ (3)				
(1)	(2)	(3) thousands	(4) thousands	(5)	(6)	(7)	(8)	(9) millions
1905	1,612	\$78,374	\$77,198	79.70	1.49	1.083	\$3,820,754,181	\$5,255
1906	1,208	63,789	61,002	70.39	1.48	1.041	4,105,352,280	5,832
1907	779	46,538	31,708	74.54	1.48	1.103	4,391,970,951	5,805
1908	713	40,885	33,097	81.78	1.61	1.316	4,584,536,431	5,620
1909	826	45,623	37,457	82.10	1.67	1.371	4,614,446,266	5,501
1910	874	47,958	41,358	86.23	1.76	1.517	4,743,916,785	5,534
1911	776	44,866	40,846	91.03	1.72	1.565	5,037,872,685	5,386
1912	921	56,039	52,412	93.49	1.83	1.710	5,035,485,413	4,731
1913	990	40,236	43,625	108.36	1.81	1.961	5,126,942,595	4,807
1914	776	33,443	35,821	107.11	1.78	1.906	5,149,250,760	4,698
1915	1,063	52,352	57,336	109.52	1.87	2.048	5,145,802,495	4,740
1916	1,015	42,387	47,087	108.21	2.04	2.207	5,129,830,629	4,075
1917	1,011	42,445	52,091	124.84	2.02	2.591	5,088,344,403	4,604
1918	886	33,737	33,566	110.65	2.33	2.578	5,094,401,238	5,216
1919	1,688	62,263	61,065	98.07	2.32	2.275	5,115,811,621	6,144
1920	1,943	107,384	90,662	84.42	2.39	2.017	5,186,771,887	7,599
1921	1,694	64,868	50,138	77.36	2.71	2.142	5,878,847,633	6,279
1922	1,079	69,382	61,468	88.51	2.74	2.643	6,058,643,144	7,224
1923	1,177	71,984	61,558	85.51	2.73	2.334	6,177,890,668	7,571
1924	976	71,869	60,758	84.56	2.73	2.308	6,402,525,800	8,379
1925	822	70,037	56,180	80.21	2.68	2.149	6,721,085,292	9,875
1926	692	54,307	36,330	72.45	2.68	1.942	7,154,543,958	

Sources: Columns 3, 4, and 5 are from the *Record and Guide* tabulation by weeks in the last issue of each year. Column 7 from the Annual Reports of the Commissioners of Taxes and Assessments, omitting special assessments. Column 8 includes ordinary, corporation, and special franchise valuations.

CHART V

LEGAL TAX RATE AND TRUE TAX RATE ON MANHATTAN REAL ESTATE
1905 TO 1926

taken place in the value of their properties. It must be emphasized, also, that these computations are based on the general situation and may not apply to individuals who are adversely affected by peculiar circumstances or by inequalities of assessment. The figures, however, give a true view of the general situation.

The *Record and Guide* figures are available only for Manhattan. If the situation in the other boroughs is similar to that indicated in Manhattan, it would appear, therefore, that the tax burden upon real estate is not so serious as might be inferred from the organized protests which have been heard. The figures quoted indicate that real estate is now paying a smaller portion of the cost of the city government than it has in the past. Moreover, the true tax rate as distinguished from the legal rate, appears to have decreased, especially since 1922. These results are to be attributed primarily to the large increase which has recently occurred in realty values and only to a minor degree to the policy of the state of New York of sharing with the localities the product of the new taxes upon personal and corporate incomes and in augmenting state aid for public education.

The Two Per Cent. Tax Limit

All cities with 100,000 population and over in New York State are by the State Constitution prohibited from levying a tax for local purposes, exclusive of debt service on permanent debt, in excess of 2 per cent. of the assessed value of taxable real and personal property. The language of the constitution is as follows:

"The amount hereafter to be raised by tax for county or city purposes, in any county containing a city of over one hundred thousand inhabitants, or any such city of this state in addition to providing for the principal and interest of the existing debt, shall not in the aggregate exceed in any one year two per centum of the assessed valuation of the real and personal estate of such county or city, to be ascertained as prescribed in this section in respect to county or city debt."¹

It should be noted that the 2 per cent. limitation does not apply to all items entering into the New York City tax levy. The

¹ Article VIII, § 10.

levy for the interest and retirement of the permanent debt is excluded. The levy on account of the state tax is excluded. Special assessments against the city as a whole or against individual boroughs, under Section 247 of the Charter, are likewise excluded. For the 1927 New York City levy, the following items are within and without the tax limit:

Within the 2 per cent. limitation:	
For city, county, and school purposes	\$283,603,809.25
Outside the 2 per cent. limitation:	
For state tax	\$12,622,697.53
For principal and interest of city debt	97,756,554.71
For assessments on the city at large	5,190,881.72
For assessments on boroughs	2,849,870.94
Total outside limit	\$118,420,004.90
Total levy	\$402,023,814.15

It is these last four items which annually carry the tax rate well above 2 per cent.

This constitutional limitation has had an important effect on municipal finance in Buffalo, Rochester, Yonkers, Utica, Syracuse, and Albany, all of which have found it difficult, and in some cases almost impossible to keep within the limitation. Many unsound practices of evasion have been developed, especially by means of the issuance of indebtedness, the retirement of which does not fall within the tax limitation.¹ Thus far New York City has not found the 2 per cent limit so great an embarrassment. In most years, the levy has been well within the constitutional maximum, so that it has not been necessary to resort to devices of evasion. In 1927, the levy is only \$13,152,629.81 below a full 2 per cent. levy—not a large margin in a budget of half a billion. The statistics, however, do not tell the whole story, for the presence of that limit is constantly before officials in considering proposed expenditures.

Tax Exemption

Twenty-three per cent. of the real estate within New York City is tax exempt. This falls into three classes, as follows:

¹ See the *Report of Special Commission on Financing Education in Cities*, 1926. (The so-called Friedsam Report), p. 17.

	VALUATION	PER CENT. OF TOTAL
1. Public property	\$2,292,328,000	60.8
2. Religious, charitable, and educational institutions, etc.	557,873,000	14.8
3. Housing exemptions	916,512,000	24.4
	<u>\$3,766,715,000</u>	<u>100.0</u>

Public property embraces the property of the federal, state, and city governments. It amounts respectively to \$149,095,800, \$21,424,825, and \$2,121,807,750. This last item includes \$855,000,000 for parks and \$278,000,000 for city owned subways, \$246,000,000 for docks, and \$200,000,000 for schools. The property of churches, charitable organizations, schools, and colleges amounted (1925) to \$544,314,000. There is also \$13,558,000 of subway property exempt under Section 34, Chapter 4, Laws of 1891. The private property exempted is to be classified as follows:

	VALUATION	PER CENT. OF TOTAL
Religious	\$255,374,000	45.8
Charitable	162,402,000	29.1
Educational	71,347,000	12.3
Cemeteries	54,463,000	9.8
Transit (private)	13,559,000	2.4
Pensioners	728,000	.1
Total	<u>\$557,873,000</u>	<u>100.0</u>

Partial exemption was allowed dwellings completed in accordance with the provisions of an ordinance approved February 15, 1921, and amended in 1923. This is authorized until January 1, 1932, by Section 4b of the Tax Law. About 95,000 dwellings completed since April 1, 1920, receive an exemption which, according to the 1926 valuation, amounts to \$916,512,915. All but about 6,000 of these are one and two family houses; 75,000 of them are in Brooklyn and Queens. This exemption applies only to the building and not to the land. State taxes and special assessments are not affected.

With the exception of the housing exemptions, there has been no important change in the situation during the past generation. Most of the property exempt is city owned. The ratio of exempt

property to total property has not been expanding rapidly, especially if private property alone be considered. Tax exemption of real estate does not present an acute fiscal problem in New York City.

It should be noted that the housing exemption automatically expires in 1932. On January 1 of that year, the tax base of the city will automatically expand by about a billion dollars, provided the aggregate of assessed valuation of the buildings so exempted remains unaltered. This would add to the borrowing power of the city \$100,000,000, and to the taxing power at least \$25,000,000 without any increase of the tax rate.

PERSONAL PROPERTY TAXES

When the tax on property was a true general property tax, personal property formed an important part of the assessment roll. In the borough of Manhattan, in 1866, it reached 35 per cent. of the total roll. This percentage, however, has melted away under amendments to the tax law and under gradual economic changes which have made it almost impossible to assess personal property. At the present time the personal property amounts to but 2 per cent. of the tax roll. The situation during recent years is shown in the following tabulation:

PERSONAL PROPERTY ASSESSED FOR TAXATION IN PERCENTAGE OF TOTAL ASSESSMENTS

1915	4.3
1918	3.0
1921	2.13
1924	2.17
1925	2.01
1926	1.95
1927	2.01

The shrinkage occurring between 1915 and 1921 was due to the change of the tax law which exempted certain classes of personal property at the time when the corporate and personal income taxes were adopted. The loss to the city from these exemptions has been much more than made up by the revenues

which the city receives from the state as its share of these new taxes.

The cities, towns, and villages of New York State are required to assess personal property under the same state laws which affect New York City. A recent examination of the situation shows, however, that the enforcement of the law varies extensively from locality to locality.¹ The per capita assessments by counties range from 30 cents, to as high as \$44.00. This is, of course, absurd. The situation is of importance to New York City because state taxes are levied on the assessed valuation of personal property with no allowance or equalization as in the case of real property.² In view of the fact that the New York City counties show an unusually high percentage of personal property assessment and the highest per capita assessments of any of the counties in the state, the result is a substantial discrimination against the city in the incidence of state taxes.

It has repeatedly been recommended by legislative committees and others that the personal property tax be abandoned. Such a reform is surely desirable from many points of view. Nevertheless, the personal property tax yields from \$2,000,000 to \$3,000,000 a year in New York City, and cannot be set aside lightly in spite of its many defects. The situation is also complicated by the fact that the repeal of the personal property tax would exempt the stock-in-trade and machinery of unincorporated businesses. This suggests the advisability of coupling the repeal of the personal property tax with the establishment of a tax on the income of unincorporated businesses. The Legislative Committee on Taxation and Retrenchment has recommended that the personal property tax be abandoned at the same time that new revenues are made available for the city to take its place.

That there is something basically wrong with the personal property tax or with the way in which it is administered must be apparent from the conditions of collections. The arrears now

¹ *Tax Exemption in the State of New York*, Legislative Document 1927, No. 86, Chapter III.

² For real property, the State Tax Commission works out each year an equalization table adjusting the inequalities in the actual assessment ratios in the various counties. The state tax of one mill is collected on this adjusted basis.

amount to fully \$52,364,053. Of this, \$47,731,293 is for 1925 and prior years, as compared with \$26,840,627 for real property in the same period.¹ Moreover, in the appendix to the 1927 budget, the Comptroller estimates that \$34,700,000 of the personal property arrears for 1924 and prior years is uncollectible. Unless a more equitable system of assessment and a more efficient method of collection can be provided, the wisdom of continuing this tax is extremely doubtful.

LICENSES AND PERMITS

Business and Occupational Licenses

The municipality, largely through its regulatory authority, licenses nearly seventy types of business establishments, trades, and occupations. The list ranges from hotel runners and itinerant musicians, to theatres and gas plants. Only a very few of the trades are required to pay a license fee. The more important sources of license revenue are as follows:²

BUSINESS	1925 REVENUE	1926 REVENUE
Theatres	\$96,500	\$101,750
Ice dealers	72,680	72,695
Common shows	71,800	81,550
Auctioneers	51,500	54,700
Public dance halls and dances	54,044	50,184
Billiard and pool tables	49,730	49,755
Peddlers	44,544	43,822
Motion pictures	39,445	37,301
Public cars (motor)	38,350	41,440
Electricians	37,988	77,239
Employment agencies	26,350	27,950

The ratio of revenues derived from business and occupational licenses in New York City has gradually declined. On the other hand, the need for additional revenue has driven many other cities to transform their licenses into veritable business taxes, yielding revenues considerably in excess of the costs of inspection or similar services. Though there is considerable objection to petty license

¹ Comptroller's Report for 1926, p. 364.

² From Comptroller's Reports, 1925, 1926.

taxes, a source of income is here disclosed which is capable of considerable expansion.¹

Many authorities hold that license taxes should not be considered from the revenue raising standpoint. They should be extended only to those businesses and occupations subject to regulation, supervision, and control by the city, and only in such an amount as is required to cover the cost of such regulation. All types of business enterprise which involve exceptional or extraordinary expenditure on the part of the municipality should stand the burden thereof. Thus, industries creating excessive industrial wastes and necessitating extra expense in waste removal or street cleaning, should be made to bear a fair share of the cost of the benefit they enjoy. Certain businesses requiring special police protection might be similarly regarded. There are many types of business which definitely require supervision in the interest of the public health. At present many of these are regularly inspected at great expense by the city but without charge.

License fees of this type may be fixed on several different bases. Flat fees are applicable to certain occupations, but the assessment of businesses varying widely in size frequently necessitates a graded scale based on income, rental, or physical factors, *e. g.*, the number of seats in a theatre. Some of these methods are in use in New York at the present time. The most desirable criterion is the one which measures most accurately the cost of the service.

Existing business licenses are not based on any definite plan. Many almost obsolete or relatively unimportant types of business

¹ Local Law No. 18, passed December 31, 1926, amended Section 1320 of the Charter. Certain collections of fees for permits issued by the Department of Health are creditable to the Health Department Pension Fund. From May 1, 1927 to December 1, 1927, the collections were as follows:

	PERMITS	FEE	TOTAL
Barber Shop	3007	\$10	\$30,070
Slaughter House	339	50	16,950
Beauty Parlor	700	10	7,000
Undertaker	1305	25	32,625
Ice Cream Parlor	1011	10	10,110
Restaurant	9863	10	98,630
TOTAL			\$195,385

For a discussion of the propriety of this practice, see above, p. 53.

are licensed; other large and important groups are not subject to regulation. Certain occupations are required to pay a license fee, others of equal importance are licensed free of charge. Some businesses pay a high initial charge with low renewals; others are licensed once and for all, and still others are required to renew their licenses every year. The license fees exacted are often inequitable as among various businesses. Theatres are required to pay \$500 a year, and a similar fee is exacted for concert halls although the profits of such enterprises are much less certain. Pawnbrokers likewise pay \$500, but junkshops pay \$20 and second-hand dealers only \$10. Bathing establishments pay \$25, and hotels and lodging houses nothing.

There are many instances of businesses requiring supervision, the cost of which is borne entirely by the city. The Health Department inspects food handling establishments. Restaurants, groceries, delicatessen stores, butcher shops, meat packers, bakeries, confectioners, dairies, and beverage manufacturers might well be charged a license fee adequate to cover these inspectional costs. Soft drink parlors and stands are not now subject to any particular supervision, but should be more thoroughly regulated and taxed. All inspections of weights and measures are made without exacting any charge, and the Bureau of Weights and Measures seems in fact to pride itself that its inspections are "absolutely free." This service cost \$80,967 in 1927, and should be made self-sustaining as it is in most other cities.

Other Suggestions for Increased Miscellaneous Licenses

In New York, barber shops pay a flat annual fee of \$10 irrespective of their size. There are at least seventy-five hundred barber shops in New York, and only a small annual license fee would be required to meet the costs of an adequate inspection. The various food handling establishments mentioned above could be charged license fees. Laundries in many cities come under supervision. Licenses might be considered for building contractors, private detective agencies, and others deserving regulation under considerations of safety or health. The Fire

Department licenses many industries creating a fire hazard, but appears to have neglected enterprises such as lumber yards, wood-working plants, paper and stationery supply houses, and upholsterers.

A tax which falls within the non-business license classification is the dog tax. A state law provides for the licensing of dogs by the City Clerk. Ten per cent. of the revenues are paid to the state government. As early as 1894, however, the city of New York, through the passage of a local ordinance, entrusted the licensing of dogs to the Society for the Prevention of Cruelty to Animals, and authorized that agency to receive all fees. In 1925, the Society collected \$234,000.¹

A Tax on Out-of-Town Visitors

Hundreds of thousands of travellers and business men visit New York every year. The city is put to a great deal of expense for police protection and other regulation on this account. It has frequently been suggested that at least a part of this additional expense be assessed upon New York's temporary population. Taxes of this kind are common in European countries. For example a sojourn tax is imposed in certain climatic resorts in France. Moreover, as a part of the French turnover tax, hotels and restaurants are classified and subjected to a special *de luxe* tax, consisting of a percentage of gross receipts. The rates are 4 per cent. on the establishments of moderate luxury and 13 per cent. on those of the highest order. Finally there is a slight stamp tax on restaurant bills in excess of twenty francs. The French officials testify that the turnover tax on hotels is found to be very simple to administer.

If New York is to attempt something of this sort perhaps the

¹ The legality of this step on the part of the city was upheld by the United States Supreme Court in 1920, but doubts have been expressed as to the propriety of having the municipality turn over a purely governmental function to a private agency. The Society maintains a corps of inspectors and dog catchers to enforce the licensing procedure. Every other large city, as far as is known, enforces its dog license law with little additional work on the part of the Police Department. A few more clerks may be needed to issue dog licenses in case this function were to be handled by the city rather than the Society, but the enforcement aspects could apparently be handled far more economically by the Police Department.

most feasible suggestion would be a tax of from 5 to 10 per cent. on hotel rooms occupied for periods of less than one month. Permanent hotel guests could be exempted and no tax levied on rooms renting for less than \$1.50 a day. Such a tax, with permanent hotel guests exempted, would produce from two and a half to seven million dollars annually.

In an effort to reach the transient population, consideration could also be given to obtaining increased revenues from amusement enterprises and particularly from cabarets and night clubs. Should the federal license tax of 10 per cent. on amusement admissions be repealed, its place could be taken by a similar tax for municipal uses. The experience of the patrons and of the managers of theatres and other amusement enterprises with the federal tax would make it very easy to administer a similar tax for the city.

Revenues from Permits

The more important permits issued by the city, considered from the point of view of their revenue return, are as follows:¹

TYPE OF PERMIT	1925 INCOME	1926 INCOME
Parks (largely golf and auto parking fees)	\$248,757	\$223,145
Tapping of street mains	197,238	192,053
Sewer and drain permits	165,962	143,645
Marriage licenses	159,261	163,618

In addition to these permits, more than 200 other types of permits and licenses are issued by the city, exclusive of the businesses and occupational licenses already described. The list of permits embraces authorization to keep goats and geese, for example, to maintain a houseboat or a day nursery, to carry a pistol, to solicit funds, to conduct a public dance or hold a parade, to dump ashes, and to occupy a tenement basement. There are many types of permits in connection with street traffic or repair. They relate to the storage of building material on city streets, the crossing of sidewalks with a team for excavating purposes, and the installation of conduits, cables, or pneumatic tubes. As in

¹ *Comptroller's Reports, 1925 and 1926.*

the case of occupational licenses, many of the permits are issued with no regard for the fact that other similar acts do not require a permit. Fees are charged in some cases and not in others. In the event that occupational licenses are made the subject of further study and standardization, permits should also be examined. Some cities collect a substantial sum from building permits. In 1924, nearly one billion dollars of building construction and alteration was authorized in New York City; had the scale of fees in effect in Newark been applied in the case of New York, a million dollars would have been received by the municipality. As in the case of business licenses, permit fees should be based for the most part on the cost of issuance and subsequent supervision. A special type of permit is that involving the use of public highways or public property. This is considered under the heading of highway privileges.

Revision of Licenses and Permits

It is possible for the city greatly to increase its income from business and occupational licenses, fees, and permits. A more equitable system could be devised, and particular attention could be paid to the desirability of basing fees on the actual costs of regulation. Moneys appropriated for inspectional purposes could then be released for other purposes. The obsolete character of some of the existing regulations and the changes that seem desirable are indicated in an important report recently prepared in the office of the Commissioner of Accounts. This report analyzes the fees collected by various municipal departments and the costs to the city for the services rendered. It also gives interesting data on the fees charged for similar services in other cities. The facts are clear that, in frequent instances, New York is not unduly exacting. "It is apparent," wrote Commissioner James A. Higgins, in transmitting his report to the Mayor, "that in many cases the fees collected are lower than those charged in other cities for like services; and that many of the bureaus now operating at a heavy loss to the city could be made a source of revenue by an increase in the fees charged, or by charging fees in many cases where no fees are now required. This would put

the cost of the service on those directly benefited instead of upon the public at large."¹

Fines and Forfeits

In this classification are moneys exacted as penalties for violation of law, and forfeits accruing in accordance with the terms of contracts as penalties for non-observance of such contracts. Tables II and III indicate that these sources of revenue have apparently held their own during the past fifteen years in meeting the requirements of the city budget. Amounts received have more than doubled in volume. In connection with any more detailed investigation of revenue sources, it may prove desirable to inquire into the adequacy of charges made for court costs, which, in some cases, have been unchanged for many years.

RENTALS AND FRANCHISES

Rent items constitute an important minor source of revenue for the city. More than two million dollars are received from the rapid transit companies for the use of subway properties. The rental of other city-owned property brings in over a million dollars a year. It is possible that in other cases, a readjustment of market charges or of rents exacted of city tenants may disclose some opportunity for increasing the city income.

The *Comptroller's Report for 1926* shows receipts of approximately two million dollars from franchises. Although the income from this source has increased during the past ten years, the relative importance of the tax as a revenue producer for the city has decreased. Any enlargement of such revenues can be only slight under the present state tax laws. Section 48 of the State Tax Law provides that any payment made by a public utility to a municipality in connection with franchise privileges, "which payment was in the nature of a tax," the amount so paid may be deducted from the special franchise tax.

¹The principal portions of this important report are to be found in the Appendix, p. 319.

HIGHWAY PRIVILEGES

A recent investigation by the Joint Legislative Committee on Taxation and Retrenchment¹ indicated an almost total neglect of minor highway privileges as a source of municipal revenue among the municipalities of the state, including New York City. The prevailing attitude of mind of municipalities was shown to be one which views the private use of street privileges as a private right rather than as an encroachment on public property.

The important sources of minor privilege revenues shown in the *Comptroller's Report for 1926* are as follows: park privileges and concessions \$241,706; illuminated signs \$158,486; pipe lines and conduits \$98,359; bridges connecting buildings \$66,360; minor tunnels \$64,524. The only income shown in the *Comptroller's Report* from news stands is less than \$4,000. In some instances permits are required for minor highway privileges, but no license fee is exacted. As in the case of occupational licenses and permit fees, a thoroughgoing examination of the various minor highway privileges would suggest methods of increasing the income of the city from this source.

Sidewalk vaults are probably the most valuable minor encroachment upon the subsurface of streets. For permission to construct a vault the city charges an initial fee of ten cents to two dollars for each square foot of area affected, but no annual charge is levied for the privilege of maintaining the vault. In Baltimore, and in a number of other cities, annual rental charges of this sort are now made. Such charges in New York City would yield a considerable sum. In 1913, after a careful study of the situation on Broadway, Fifth Avenue, 14th, 23rd, 34th, and 42nd Streets, it was estimated that approximately one million dollars a year could be realized from vaults on those streets alone. This estimate was based on a rental rate of 5 per cent. of the value of the space, which was to be determined in accordance with the average value per square foot of the abutting property. The administration of such a revenue measure would be simple because most of the needed facts could be drawn from the permits,

¹ Legislative Document, No. 86 (1927).

buildings plans, and tax books and maps. Collection could be handled with the real estate taxes.

Billboards

Outdoor advertising is another encroachment upon public thoroughfares, either directly or indirectly, which investigation might show to be a neglected source of revenue. Illuminated signs now furnish an annual revenue of \$158,486. It may be argued that signs of all types should pay an annual fee not only because of the exercise of a highway privilege, but for regulative purposes; they may become unsightly and in some cases dangerous.¹ Subway, street car, elevated train, and motor bus advertising could also be inquired into. Franchise privileges to operate transportation facilities rarely include the right to sell advertising space in cars or buses.

THE EARNINGS OF GENERAL DEPARTMENTS

The earnings of general departments include the revenues from general administrative activities except public service enterprises such as the water supply system, docks, and markets. These revenue receipts are derived from fees, charges, and sales. The most important item is five million dollars in various fees. Sales of publications and supplies brought in \$430,000.

A substantial enlargement of income from departmental earnings has taken place since 1915. These revenues now form a relatively larger part of the total city revenues than they did at that time. Still further revenues could probably be derived from this source. The Department of Public Welfare several years ago installed a system of charges for hospital patients able to pay in part for their care. It employs a force of investigators to make the necessary collections.

One possible method of increasing departmental earnings may be a change in the method of waste disposal. A preliminary study of the waste disposal problem made in 1920 indicated that

¹ The city of Baltimore has been a pioneer in working out plans for taxing outdoor advertising. The city is districted and the levy upon advertising varies with its size and location.

collection and disposal costs amounted to \$3,500,000 a year as compared with approximately \$5,000,000 that might be derived from the operation of garbage reduction plants in place of the present sea dumping plan. Reduction plants in some cities are operated at a profit. Other cities sell the raw garbage at a figure that pays a considerable part of the collection cost. A recent investigation of the reduction system in Chicago indicated that under skilled management and with adequate reduction machinery, a small loss could be converted into a profit. New York City is at the present time facing the necessity of abandoning sea dumping and making capital expenditures for incinerators.¹ It would be worth while in this connection to consider the advisability of reduction plants that could make a profit out of the sale of grease and other by-products, but there are obvious disadvantages to the city's embarking on such a business undertaking.

EARNINGS OF PUBLIC SERVICE ENTERPRISES

Gross revenues from municipally operated public utilities constitute about 5 per cent. of the city's income — more than \$25,000,000 a year. The past ten years do not show any startling increase in the revenues of these enterprises. They contribute a slightly smaller percentage of city revenues than formerly. The city at present operates several bus lines, ten public ferries, and a number of short trolley and trackless trolley lines.

The water revenues present a difficult situation. The city has made tremendous investments in its water supply system. Since 1905 \$185,000,000 has been expended. The users of water should be required to pay fully for their water. This is no more than fair and would encourage economy in the use of water. The rate would then be based upon the amount used instead of front footage and the number of appliances, etc. Metering would bring in more revenue than the present system, but the practical difficulties of installation, for a city like New York, would be enormous, perhaps insurmountable. Metering would insure greater economy in use, but it may be argued that, with the

¹ For the Street Cleaning Department's estimates of its future needs, see below, p. 286.

available, untapped sources not numerous, a policy which forces the city to secure large additional water supplies, is not unwise. If the city waits too long, the available sources may be lost. Meanwhile the fiscal problem could be satisfactorily solved by an intelligent, thoroughgoing revision of the present water rates.

Whatever the city's policy in respect of municipal services — that is, whether it is desired to make a profit, to permit them to be conducted at a loss, or to have them self-sustaining — adequate cost records must be kept. The city should be able to tell whether a particular service is making a profit, suffering a loss, or doing neither. In the United States the accepted fiscal policy is usually that municipal services should be self-sustaining. On the other hand, foreign countries, where municipal operation of transportation and other utilities is common, frequently attempt to secure substantial profits from these enterprises. These profits go toward the expenses of other municipal activities. Such a form of indirect taxation has been generally avoided in the United States.

CITY'S SHARE OF STATE TAXES

The city receives over 8 per cent. of its total revenues from various state taxes. These combined are the second largest source of municipal revenue and represent the most important recent development in the finances of the city. Each of these taxes is discussed briefly in the following paragraphs.

The State Income Tax

The tax on personal incomes under a graduated scale, provided in Article 16 of the Tax Law, is administered by the State Tax Department, but one-half of the income, after the deduction of certain expenses, from this source reverts to the municipality.¹

¹"Fifty per centum shall be paid into the state treasury to the credit of the general fund. The remaining fifty per centum thereof shall, not later than the first day of July, and in case of moneys subsequently collected at least quarterly thereafter, be distributed and paid to the treasurers of the several counties of the state, in the proportion that the assessed valuation of the real property of each county bears to the aggregate assessed valuation of the real property of the state." Tax Law (Consolidated Laws, Chapter 61), §382.

Since its adoption in 1919, it has proved a valuable source of revenue, far in excess of earlier returns from the assessment of intangible personalty which was abandoned as a tax source in 1919. Although at present utilized by but a few of the states, the income tax has come to be recognized as one of the most equitable forms of taxation.

The Mortgage Recording Tax

A state tax of fifty cents for each one hundred dollars of the amount of debt secured by mortgages on real property situated in the state is provided by Article 11 of the Tax Law. It is county administered, one-half of the revenue being turned over to the city, the other half going to the state. The tax is collected when mortgages are recorded.

The returns from this tax constitute an important part of the city's income. The size of the returns varies considerably from year to year, and, as will be seen by reference to Table I, depends upon the extent of building activity. In 1926, the tax netted New York City nearly five million dollars.

The Corporation Income Tax

The franchise tax imposed on the net income of corporations, at the rate of $4\frac{1}{2}$ per cent. is prescribed in Article 9a of the Tax Law.¹ It was inaugurated in 1917. No state tax is at present imposed on unincorporated businesses. Various proposals have been made that such businesses be taxed.² It should be borne in mind, however, that such enterprises do not share the limited liability and other privileges enjoyed by corporations for which it is not unreasonable to make some charge. If it should seem desirable to raise the corporation rate to 6 per cent. and impose a slightly lighter tax, *e.g.*, upon unincorporated business enterprises, the State Department of Taxation and Finance estimates that at least \$13,000,000 can be derived from this source. Part of this amount might be shared by the municipalities.

¹In the case of corporations doing business more than a state-wide business the income is apportioned. A minimum tax based on capital stock is imposed.

²*E.g.*, Report of the Joint Legislative Committee on the Finances of the City of New York, 1922 (Meyer Committee). See below, p. 334.

Real Estate Broker's License Tax

The state, under Article 12a of the Real Property Law, charges an annual license fee for the privilege of doing business as a real estate broker or real estate salesman. The rates range from two dollars to twenty-five dollars, and one-half of the tax reverts to the local communities. As a revenue producer, the tax is not very important.

Motor Vehicle License Fees

Fees collected by the State Commissioner of Motor Vehicles for the registration of motor cars, trucks, and motorcycles have been an important part of the state revenues for the past decade. From 1910 to 1916, the municipalities received no part of this revenue; from 1916 until 1919, 50 per cent. of the fees reverted to the counties; since 1919, the state has retained three-fourths and the counties have received one-fourth. New York City is entitled to receive the amount payable to its five counties. In view of the heavy cost to which the city is put for traffic control and for maintenance of streets because of the wear and tear for which motor vehicles, particularly heavy trucks, are responsible, it may be proper to inquire whether the municipality should not be entitled to more than the 25 per cent. allowance at present made by the state.

SUBVENTIONS

An important development in the city revenues during the past ten years is the growth of state aid for education. State aid is not a gratuity. It is a method by which the state discharges a part of its responsibility for free public education and endeavors to secure a fairer distribution of the benefits and cost of education. The great productive taxes, with the exception of the real estate tax, must, under modern conditions, be administered by the state. In the United States, most educational functions are locally managed. This makes it necessary for the state to share the product of its taxes with the localities, either in the form of specific shares or in the form of state aid.

Federal aid is usually awarded as an inducement to encourage

certain activities which the states or cities might otherwise not be inclined or able to afford. This element of inducement has been almost entirely eliminated in the state aid policy of New York State. Otherwise, there would be a danger of encouraging extravagance and of giving large amounts of aid to the wealthy communities which can easily avail themselves of the proffered state aid.

State Aid for Schools

In 1926, \$21,560,670 was received by New York City from state aid. The whole of this amount went to the Board of Education for school purposes. Any increases in state aid revenues rest with the legislature rather than with the municipal assembly. It may be pointed out, however, that it is a commonly accepted principle that the state should assist municipalities in financing educational activities. The state should afford a satisfactory educational opportunity for every child. The equalization of educational opportunity and the question of state aid have been the subjects of much deliberation by the Legislative Committee on Taxation and Retrenchment and by the Friedsam Commission.¹ The programme recommended by these groups has been adopted by the legislature. New York City, therefore, will, in the future, receive considerably more from the state for school purposes.

NEW SOURCES OF REVENUE

Commissions or committees have frequently been set up to seek new sources of revenue for New York City. Important new state taxes have been established. The state has shared these taxes with the localities, either in fixed proportions or through the channel of state aid for education. All important tax measures which have been before the Legislature in recent years have presupposed further distribution to the localities. It is probable that this new policy is destined to be extended still further and that the city may look forward to receiving an even larger proportion of its revenues from state taxes.

¹ Legislative Documents Nos. 97 (1925), and 68 and 92 (1926).

A Tax on "Unearned Increments"

Various commissions have recommended a tax on increments of land values. In 1913 the Commission on New Sources of Revenue outlined in detail a scheme for such an increment tax. It proposed a permanent tax of one per cent. per annum on all increases above the assessed valuation of the year previous to the enactment of the law. The tax would be not only permanent but also cumulative in the sense that the increments would be subjected to the one per cent. rate year after year.¹ The Commission did not propose to levy the tax upon any increments which could be shown to have resulted from the owner's efforts or expenditures, or from improvements for which he had been assessed. The tax was intended to reach only the unearned increment. The Commission estimated that during the preceding decade land values had increased annually by about \$150,000,000. A one per cent. cumulative tax would presumably have yielded \$1,500,000 in the first year and by the tenth year would have been producing \$15,000,000.

The 1916 Committee on Taxation repeated the recommendation and concurred in the plan of a small, cumulative, and annual collection in place of a large periodic collection along the lines of the English and German plans. The 1916 Commission also refined the project so as to take care of depreciating buildings on appreciating land. It proposed that no land increment should be taxable in a normal case until the decreasing building value was overtaken by the increasing land value.

Conditions created by the World War have thrown new light on this problem. In England, the general increase in prices was accompanied by increases in rents and in land values. It was evident that the money increases in land values were not true increases, and that it would be grossly unfair to apply an increment tax to them. The entire scheme was abandoned. In Germany, inflation was more serious. The rise of land prices was checked by rent restrictions, but the situation soon became so absurd that the tax could not be enforced. When the mark was

¹The Commission's own explanation of its plan is given in full in the Appendix, p. 328.

stabilized, the increment tax, or *Grundwert-Zuwachs-Steuer*, was again enforced. The rate is five to fifteen per cent. of the accretion in value from one sale to the next. The tax is collected normally at the time of the sale. In Berlin in 1926, the increment tax amounted to about eight per cent. of the tax on real estate.

The rise of real estate values in New York City during the past decade has been due in no small measure to changing price levels. The increase in sale price of a given parcel of land may not have been an increase in the basic value of the land, but merely a decrease in the purchasing value of the dollar. On the other hand, individual properties, and even whole sections of a city, have increased in value to an extent quite out of proportion to any effort or investment by the property owner, but because of the growth of the city, and because of improvements, such as subways, for which no assessments are imposed. Should the city take back a part of this community-created value? The solution of the difficulty may possibly be found in a further refinement of the increment tax plan by the use of a price index. The actual and the apparent increases in land value might thus be separated.

Other Suggestions

New major sources of revenue, however, are for the most part sources that must be tapped by the state for distribution to local governments. A gasoline tax, for example, would have to be administered by the state.¹ Similarly, a personal income tax surcharge levied by the cities — this was suggested by the Joint Legislative Committee in 1925 — would have to be collected throughout the state and rebated to the municipalities. City revenues in Europe are based very largely on this principle. In many cases the state taxes and then divides the proceeds among the smaller governmental units or these local governments impose additional increments of taxation on subjects already taxed by the central authorities. These European practices are therefore of particular interest to students of American municipal finance. European methods are worthy of study in connection with new sources of revenue for New York City.

¹Only New York and Massachusetts fail to impose taxes on gasoline.

CHAPTER VI

THE ASSESSMENT OF PROPERTY FOR TAXATION AND SPECIAL ASSESSMENTS

New York City collects almost three-fourths of its revenues from property taxes and special assessments. The administrative organization and the operating procedure by means of which these assessments are levied and collected are therefore of great importance. It is the purpose of this chapter to outline these organizations and their work.

ASSESSMENTS FOR GENERAL PROPERTY TAXES

The most important agency involved is the Department of Taxes and Assessments. This Department is responsible for preparing each year the assessments of real estate and personal property, which serve as the basis for the property taxes and citywide or borough general assessments. These assessed values have a further significance. The debt limit of the city and the city's share of the state income tax depend upon the aggregate real estate assessment, while the maximum tax limit depends upon the total real and personal assessments. The only property taxable locally which is not assessed by the Department of Taxes and Assessments is the "special franchise" value of public utilities, which is assessed by the State Department of Taxation and Finance and certified to the city for inclusion with other property in the tax roll.¹

¹ This special franchise value includes the tangible property of public utilities, such as street car rails, conduits, wires, and gas pipes which are in, on, over, under, or across public highways, with certain exceptions, together with the intangible right of using the public highways. All of this property is by law defined as real estate, though as a matter of fact 20 to 52 per cent. is listed as intangible value by the State Tax Commission. (Tax Law, Section 2 (6), (7); *Report of the State Tax Commission*,

Organization of the Department

This Department of Taxes and Assessments is presided over by the Board of Taxes and Assessments. The Board consists of seven commissioners appointed by the Mayor. The president must be a resident of Manhattan. No two members, who belong to the same political party, may come from the same borough except Manhattan. Of the seven, no more than five shall be of the same party. One of the commissioners must be a lawyer.¹ The president receives \$12,000 a year and the other members \$9,000 each. There is an assistant to each of the seven commissioners. These, and two secretaries, are the only persons in the Department exempt from the merit system. All the other employees are under civil service.

The Department maintains an office in each of the five boroughs. Each has a deputy in charge. There are 105 assessment districts in the city. Deputies are assigned to each. There is also a clerk for each district. The Board meets to approve the boundaries of these districts each spring. The size of the districts is determined by the staff available. Many of the districts are excessively large. Manhattan, for example has 16 districts, and but 42 employees. Each central borough office has its staff of clerks, searchers, etc. There is also a deputy or two in each borough in charge of the assessment of personal property. About 260 of the employees are assigned to real estate and 31 to personal estate. The deputy tax commissioners, the actual assessing officers, receive salaries ranging from \$2,520 to \$4,700; most receive less than \$4,300. Ten of the 18 deputies in Manhattan have been in the service for 20 years or more; at least two have served more than 30 years. The total salary appropriation of the Department is now \$1,018,678.²

The general administration offices are in the Municipal Building in Manhattan. There also are located the staffs employed on the

1925, p. 87). This anomalous situation came about in 1899, when Governor Roosevelt forced through an amendment of the tax law preventing public utilities from deducting their indebtedness from their franchise valuations as is possible in the case of personal property under the New York State Law.

¹ Charter, Sections 96, 107, 884 ff.

² Figures obtained from the *Civil List* of July, 1926, and Budget for 1927.

real estate of corporations, which is handled separately from other real estate as a matter of administrative convenience. The surveyor, who has charge of the preparation of tax maps, has an office in each of the boroughs. The deputies and their field books are the principal sources of information for the Board in reviewing assessments. The taxpayers, however, occasionally call attention to undervaluations of neighboring properties.

There are 747,010 parcels of real estate in the city (1927), an average of 7,000 for each assessment district. The land value of these totaled \$6,982,333,754, and the improvements are worth almost an equal sum, making a total valuation of \$13,711,408,215.¹

Procedure of Assessment

Each district deputy keeps a field book. This is prepared annually with the aid of the surveyor and lists each parcel of property by lot and block number, with a description of the property. In these books are recorded all memoranda of sales, mortgages, leases, rents, etc. These essential records of evidence bearing upon values are kept by the individual deputies as they see fit. Some of the records are systematic and complete, while others are practically worthless.

It is becoming increasingly difficult to keep track of sales. The tendency is to report the sale for "one dollar and other valuable consideration." While the federal stamp tax on real estate transfers was in existence, it was possible to calculate the amount of the sale from the amount of the stamps. But this resource is no longer available.

These very necessary figures for sales could be obtained in either of two ways. The simplest plan would be the institution of a stamp tax on conveyances. There would be a penalty for affixing fewer stamps than those required by the amount of the sale. The other possible method would be to require by law the filing of an affidavit of the true and bona fide consideration, and, in the case of exchanges, the character of the property exchanged. It may be that this information should be reported to the Department of Taxes and Assessments in the form of an affidavit and

¹ Excluding special franchises and real estate of corporations.

kept by it in a confidential file so that it would be available for the exclusive use of the Department and otherwise only upon order of a court of competent jurisdiction. This is a more intricate system and more difficult of enactment. Its possibility of abuse cannot be ignored. The merit of either system from the standpoint of assessment must be obvious. Such records might also be available in condemnation proceedings.

Beginning April 1 each year, the annual assessment for the following year is commenced. The first procedure is the preparation of the tentative land value maps. These maps indicate the average front foot value for each side of each block. All land values are calculated from these bases. Allowances are made for various widths and depths in accordance with the Hoffman-Neill tables.¹ Since 1912, these land value maps have been printed in a volume published about October 1, the time that the assessed valuations are announced.

The Charter provides that "the taxable status of all persons and property assessable for taxation in the City of New York shall be fixed for each year on the day of October in the preceding year provided by law for the opening of the books of annual record of the assessed valuation of real and personal estate of that year." There is need for clarification of the law in the case of buildings under construction. Where a structure was begun prior to October 1 of the previous year, it may be assessed, if not yet complete, as an improvement in progress. But section 889a of the Charter provides: "A building in course of construction, commenced since the preceding first day of October and not ready for occupancy, shall not be assessed." As a result, many buildings are almost completed, but a portion, sometimes a small portion, is left unfinished. When October 1 is passed, these are quickly completed, and perhaps by October 3 the building is ready for occupancy and tenants move in. The effect of this is to deprive the city of many thousands of dollars annually.

¹The oldest rule in use for the determination of values of parts of lots was suggested by Judge Murray Hoffman in 1866, viz., that the front half of the lot was worth two-thirds of the value of the lot. An elaborate scale was worked out by H. H. Neill, real estate editor of the *Evening Mail*, on the basis of 100 feet as a unit of depth, with the value of the first 50 feet equal to 66 $\frac{2}{3}$ % of the whole value.

The real estate of corporations is assessed by the district deputies but reported direct to a bureau of the main office.¹ There is prepared a separate *Annual Record of the Assessed Valuation of Real Estate of Corporations*. In 1925, the assessment roll of corporations amounted to \$292,090,500. Special franchises are valued by the State as has been explained.

Public Inspection and Hearings

The records of assessed valuations of real and personal property must be completed and opened for public inspection by October 1. These books show for each parcel of real estate the valuations of both land and improvements. The real estate books remain open until November 15, when they are closed in order that the tax rolls may be prepared. The commissioners have the power to increase assessments only during the period when the books are open. Where increases are made, notice must be sent to the last known owner and the time for protest is extended. This six weeks' period in which assessments may be advanced does not appear to be sufficient. If the present fiscal calendar is continued, the books should certainly be kept open to December 15, and perhaps to December 31. The present arrangement prevents increases on the basis of information obtained during hearings.

During the time that the books are open, any taxpayer may make written protest concerning his assessment. One of the commissioners holds hearings and takes testimony in each borough on these complaints. In the more important matters the full Board holds hearings. In all cases, the Board must take the official action. In a few cases, stenographic minutes are kept of these hearings. In personal property cases, the preliminary examinations are held by the deputy commissioners. The Board may continue its examination of these applications until February 1, when the books are finally closed. The corrections made by the commissioners appear in the final rolls.²

The Board has a series of elaborate forms which taxpayers must fill out when they apply for corrections. The real estate

¹ Charter, Section 893.

² Charter, Sections 894, 895, 897.

blank, for example, asks a number of pertinent questions in respect of improvements and their cost, sale price, rentals, mortgages, etc. The power of the commissioners to prescribe such forms is not clearly set forth in the Charter and some taxpayers refuse to comply with these rules. It would seem obvious that the Board should have authority to adopt rules and regulations, not inconsistent with law, covering such matters. The State Tax Commission has such power.¹

Personal Property Assessments

The assessments of personal property are made public on October 1, also, and continue open until November 30. For 1927, 83,522 names were placed on the tentative rolls. Of these names 37,944 were cancelled on application. The original rolls amounted to \$1,031,091,975, but more than two-thirds were cancelled, leaving a final assessment of \$297,983,750. Much of this is inevitable under the present circumstances. The assessors are required to list the holdings without regard for exemptions. Names are taken from the telephone book, the social register, the United States income tax lists, directories, and miscellaneous sources. Residents are required to make no declaration of their own unless appealing from assessments made against them. The assessments are almost wholly arbitrary and the property actually listed is a motley mass of miscellaneous items.

This assessment is presumed to include all chattels, with the exception of automobiles and household goods to the value of \$1,000. The tax does not extend to any intangible personalty. The tax is leviable not at the situs of the property, but at the legal residence of the owner if within the State. Moreover, persons assessed are permitted to deduct their debts, including mortgage bonds which they have signed. The personalty of mercantile and manufacturing corporations is not assessed by the city but it is taxed by the State under Article 9-A, the franchise tax based on net income.

¹Laws of 1924, c. 491, §3.

Annual Report of the Department of Taxes

The annual report of the Commissioners of Taxes and Assessments is one of the most informative of the reports of the City of New York. It is the most important report dealing with the taxes, tax rates, values, and economic changes within the city. The present report is to be commended for its brevity, for its tables showing values, taxes, and tax rates for previous years, for its maps, and for following the same general form from year to year. It is thus possible to turn from one report to another without confusion. The practice, however, of presenting statistical material dealing with sale values as compared with assessed values has been discontinued. Material of this sort is, nevertheless, essential in the work of assessment, and should be presented in the annual report. As in the case of other city departments, it is important to have the annual report appear early in the year. The tax books are closed and the taxes levied by March 1, and the report should be issued immediately thereafter.

SPECIAL ASSESSMENTS FOR LOCAL IMPROVEMENTS

New York City secures from 3 to 5 per cent. of its revenues from special assessments. The amount differs from year to year because it depends upon the amount of assessable improvements constructed. During the war years, for example, the amount was unusually low. The largest amount received in any one year is that shown for 1926, and amounts to \$20,500,000.¹ There should be added to this sum approximately \$8,000,000, on account of general assessments collected with the regular taxes upon real estate. These citywide and boroughwide assessments are somewhat peculiar to New York City, and are described below. In all tabulations of city revenues, they appear as part of the general property taxes because they are so shown in the *Comptroller's Annual Report* and because they are, after all, a general burden upon real estate, levied in proportion to the value of land and buildings, without any reference to the individual benefits derived by the land, except as these are of a very general nature.

¹ See p. 132.

If the total amount of assessments of all kinds is placed at \$28,500,000 for 1926, this increases the proportion of revenues derived from assessments to 5.74 per cent. of the total revenues for the year, and reduces the amount from general property taxes to 68.90 per cent.¹ Special assessments thus become the third largest source of city revenue in 1926. They are smaller than the general property taxes and the city's share of state taxes.

Three Types of Assessments

There are in New York City three well-defined kinds of special assessments. These are:

1. Assessments upon particular pieces of land for benefits arising from local improvements, such as temporary and permanent pavements, sidewalks, gutters, curbs, gradings, sanitary and storm sewers, disposal plants, traffic tunnels and steps, grade-crossing eliminations, viaducts, drainage, mosquito extermination, and all similar improvements which do not involve the taking of private land by the city.²

2. Assessments upon particular pieces of land for benefits arising from the acquisition by the city of real property for the opening, widening, or straightening of streets, alleys, or courts, for parks, parkways, playgrounds, bridges, tunnels, docks, waterfront improvements, or for any other purpose which will serve public utility, comfort, health, enjoyment, or adornment.³

3. Assessments upon the city at large, or upon one or more boroughs, or upon parts of boroughs, for improvements or the acquisition of property such as those involved in the Riverside Park development, or for a share of the cost of these improvements, to be levied and collected from the taxpayers of the area assessed together with the regular real estate taxes.⁴

Each kind of special assessment has its own agency and procedure of administration. Assessments for local improvements, the first class, are handled primarily by the Board of Assessors and the Board of Revision of Assessment. Assessments of the second class, involving condemnation, are made by the courts on

¹ Cf. Table III, p. 137.

² Charter, Section 943 ff.

³ Charter, Section 970 ff.

⁴ Charter, Section 247.

the basis of assessment rolls prepared chiefly by the Bureau of Street Openings of the Law Department. Assessments upon the city or upon the boroughs are determined by the Board of Estimate and Apportionment, which has important functions also in each of the other cases, on the basis of recommendations of its Chief Engineer. The levies are fixed automatically in accordance with the assessments made for the general property tax and are paid with that tax. This extremely complicated situation may be better understood through a discussion of each of these agencies and its work.

THE BOARD OF ASSESSORS AND THE BOARD OF REVISION OF ASSESSMENT

The Board of Assessors prepares the assessment levies for all local improvements, such as the building of sewers, grading and paving of streets, and the laying of curbs and sidewalks. The Board consists of three members appointed and removable by the Mayor.¹ The chairman receives \$6,500 a year; the other two assessors \$6,000. The Board of Revision of Assessment consists of the Comptroller, the Corporation Counsel, and the President of the Department of Taxes and Assessments, *ex officio*.²

Initiation of Local Improvements

Local improvements originate with the local improvement boards of the various districts of the city, usually upon application of property owners in the district. There are about 30 such districts. They usually embrace three adjoining aldermanic districts and the board is composed of the three aldermen. These boards meet at stated intervals at the call of the secretary to the Borough President, and hear applications from property owners. The boards have power to instruct the Borough President to proceed with improvements, costing less than \$5,000 where the cost is to be borne by the local property owners. Such improvements may be proposed directly by the Borough President or the Board of Estimate may itself initiate them. When

¹ Charter, Section 942.

² Charter, Section 944.

an improvement has been authorized, the engineers in the Borough President's office prepare a report on the cost of the project and submit it to the Board of Estimate and Apportionment. The report is then referred to the Chief Engineer of the Board of Estimate and Apportionment for his report. On his approval, the Board of Estimate authorizes the Borough President to let a contract for the work. In case of sewers, the Board of Estimate, at the time it authorizes the work, maps out the area to be assessed.

Procedure of Special Assessment

When the work is complete, the Borough President submits to the Board of Assessors a docket recording the action of the local improvement board, the decisions of the Board of Estimate and of the Chief Engineer, and a statement of the complete cost of the improvement and of the contract with the private contractor. The following items of cost are included: the contract, the cost of calculation by the Board of Assessors, interest, the expense of the Borough President's office for engineering, labor and inspection. The report is also accompanied by copies of the tax maps of the area adjacent to the improvement. On these maps are entered the house and lot numbers and a complete description of the work performed. The docket also includes a list of the lot and block numbers and the last known owner of each. This information is obtained from the Department of Taxes and Assessments.

The work of the Board of Assessors is largely one of calculation and computation. The Charter requires the full cost of the improvement to be levied on the benefited property unless special provision has been made to the contrary. The assessment, however, may not exceed the benefit to the property, nor may it exceed one-half of the fair valuation of the property (Charter, Section 947). The computers in the office of the Board of Assessors prepare a property list arranged by lot and block and apportion the cost. Special rules are applied to pavements, curbing, sidewalks, sewers, etc.

Upon the completion of the assessment list, notice is given to the public through publication in the *City Record* and the cor-

poration newspapers in Brooklyn, and public inspection is invited at the Board's offices for 30 days. Objection must be made in writing within this period. At the expiration of the 30 days, a hearing is held. If there is no objection or if alterations are made by the Board to suit the objectors, the Board has authority to confirm the list and transmit it to the Comptroller for collection.

Where objection is made and the Board does not accept the changes asked by the objectors, the Board must present the assessment and the objections to the Board of Revision of Assessment. The members of this appeal board are in practice all represented by their deputies. The latter board may confirm or refer back to the Board of Assessors for correction. Unless the Board of Revision of Assessment acts within 30 days, it is deemed to have confirmed the assessment. Lists returned to the assessors are again certified to the Board of Revision of Assessment for confirmation.¹ Few objections are actually made. In 1925 only 18 of the 591 lists prepared were reviewed by the Board of Revision. The courts have power to review assessments only in case of "fraud or substantial error."² The Comptroller may, with the written advice of the Corporation Counsel, compromise assessment claims, or with the latter's written advice and consent, cancel void assessments.³

Nature and Volume of Work of Assessors

During the year 1925, 656 assessment lists were prepared of which 591 had been confirmed by the close of the year. Of these 231 were for sewers, 131 for grading, and 229 for paving. There were pending 83 lists awaiting interest certificates from the Department of Finance and contracts aggregating \$48,316,000 were in process of apportionment. The lists prepared and advertised during the year embraced 79,430 parcels of property. In 1926, the assessments confirmed amounted to \$27,161,785. Local improvements were much neglected during the war and for some years to come the volume is likely to be great.

The Board of Assessors has a staff of about 36 clerks, draftsmen, etc., only a few of whom are paid over \$3,000. All of its

¹ Charter, Section 944. ² Charter, Sections 958-963. ³ Charter, Section 958.

employees are under the merit system except the secretary, who receives \$4,000. The total salary bill is \$96,000. About \$2,800 is allowed for supplies and expenses so that the total budget is \$99,296. Of this, \$59,200 is charged to the assessment lists prepared (in practice 3 per cent. of the amount of each contract) and is paid from the street improvement fund allowance.¹

Damages by Reason of Grading of Streets

The Board of Assessors also makes awards on claims for damages resulting from the establishment or change of the grades of streets, and in other instances on certificate of the Board of Estimate.² Unless a claim in writing had been filed with the Board within 90 days after the completion and acceptance of the work by the Borough President, no award for change of grade damage can be made. Further, in order to obtain an award for change of grade damage, an owner must erect his building to the filed grade established by the Board of Estimate and Apportionment for the street in question, but, if a grade is changed subsequent to the erection of a building, an owner is entitled to an award for change of grade damage. In 1924, 66 such claims were disallowed and 360 granted to the amount of \$291,000. In 1925, there were 435 awards which totalled \$169,000.

BUREAU OF STREET OPENINGS, LAW DEPARTMENT

Besides the local assessments arising from street improvements, there is another type of assessment involving the acquisition by the city of the title to land for streets and parks. The work is handled by a special force in the Bureau of Street Openings of the Law Department. This staff, headed by an assistant corporation counsel, consists of 71 employees. There are three divisions of this bureau. The main office in Manhattan handles most of the work but Brooklyn has an entirely separate staff, and there is a division in Queens for trial work only. All of these forces are paid out of the Street and Park Opening fund. The

¹ Budget of 1927; Charter, Section 181.

² Charter, Section 951.

present budget anticipates an allowance of \$224,623 for the salaries of this staff — more than twice the cost of the Board of Assessors.

As in the case of local improvements the matters originate with the local improvement boards or with the Borough President or, in some cases, with the Board of Estimate itself. The Board authorizes the acquisition and directs the Law Department to begin condemnation proceedings in the courts. The Bureau of Street Openings thus acts first as the agent of the Board of Estimate to bring the proceedings under powers granted the city by section 970 of the Charter. The Supreme Court handles these cases without a jury.¹ Once the Court has taken jurisdiction, the Bureau acts thereafter as the clerk or agent of the Court as well as of the city.

The work involves two phases. The land has first to be acquired and the awards made for the damages sustained by the property owners who are forced to surrender. The Board of Estimate approves two maps: a rule map showing the metes and bounds of the land to be acquired, and a damage map of lots to be included in whole or in part in the assessment area. The Board, usually at the same time, approves a map of the assessment area and determines what part, if any, shall be borne by the city or borough as a whole, under section 247 of the Charter. These maps are furnished by the engineering staffs of the Borough Presidents. The Bureau of Street Openings advertises the projects and initiates the proceedings before the Court. The Court must first be satisfied as to the merits of the project and approve the proposed condemnation. After advertisement further proceedings are then held and the property owners present their claims for damages. The Law Department representative presents the city's case and the judge, after a trial, and a personal viewing of the property makes the awards on the basis of the claims substantiated. This money is payable from the street improvement fund after the final decree.

At the same time that street or park land is being acquired, the Court must distribute the full cost of the proceedings, or such

¹ Charter, Sections 999-1003.

portion of it as is to be assessed upon the benefited property. This applies not only to the amounts granted in damages but to the cost of preparing papers, instituting and conducting proceedings, computing costs, and interest from the date of resting title to the date of the final decree of the Court. This is computed by the Bureau of Street Openings. The Bureau now prepares for the court a preliminary decree or proposal for distributing the cost. A copy of this is placed in the County Clerk's office for examination by property owners. The Court then holds a final hearing and later signs a decree or order assessing upon the property benefited the whole cost of the project with interest to the date of the decree. The final sum included in this decree may not exceed the amount of the preliminary decree. In order to provide for interest and costs resulting from unduly protracted proceedings, a contingency item is included in the tentative calculations.

The final decree, issued 15 days later, is prepared in triplicate. One copy is placed on file with the county clerk, another goes to the Law Department, and the third is transmitted to the Bureau of City Collections in the Finance Department. Collection is thereafter handled in the same fashion as other assessments. If not paid within 60 days, these assessments become liens upon the property.

GENERAL ASSESSMENTS

The Board of Estimate and Apportionment has authority under Section 247 of the Charter, commonly known as the Gerhart Law (1916), to provide that all or part of the cost of land or public improvements, such as sewers, streets, bridge plazas, and water front developments, shall be a general assessment upon one or more of the boroughs, or upon the city at large. The Board determines the percentage of the cost to be borne by the locality, by the borough, and by the city, and also whether these assessments shall be collected in one year or in annual installments, spread over not more than five years. This general assessment is a somewhat unique arrangement. These additional levies are not regarded as subject to the tax limit.

Assessments of this character are certified to the Comptroller and reported by him to the Board of Aldermen for inclusion in the tax levy. In 1927, for example, \$8,040,752.66 was added to the tax levy. In Manhattan, Bronx, and Queens this added .04 to the tax rate on each one hundred dollars of valuation; in Brooklyn the figure was .07.

This provision of law is used in two classes of cases. The first represents huge general improvements, such as the Riverside Drive improvement, Jamaica Bay Boulevard, Pelham Bay Park extension, Inwood Hill Park addition, or the Coney Island Boardwalk. Here the undertakings are obviously of more than local benefit. Yet the levy of 100 per cent. upon the city at large — the policy adopted in all of the cases mentioned — may overlook certain immediate advantages to adjacent property. In the second place, many local improvements for street openings cost more than can be raised by assessments which by the Charter must not exceed 50 per cent. of the fair valuation. In some instances, by delay in preparing the assessment, or by reason of anticipation of the benefit, the property increases in value because of the improvement, and the assessment is made possible. In many cases, however, it is necessary for the city or the borough to assume part of the cost.

It is impossible to get any full information as to the volume and cost of projects being financed in this way. Many of the undertakings involve condemnation of land and this renders it quite impossible to estimate their cost. The latest figures¹ obtainable from the Chief Engineer of the Board of Estimate indicate that more than 75 such projects are in process of execution. The report of the finance committee of the Board of Aldermen indicates that the completed projects for which assessments are being collected have cost over forty million dollars. Of the 75 uncompleted undertakings, more than 50 are in Brooklyn and Queens. The tendency is to place a goodly share of the cost on the city at large. In 47 cases the city was charged with 25 per cent. or more of the cost, and in 18 cases the city's share was more than 50 per cent.

¹ These figures are as of July, 1927.

Collection of Assessments

The collection of assessments after the certification of the lists to the Comptroller is the work of the Bureau of Assessments and Arrears in the Finance Department. Assessments upon being confirmed become a lien ten days after their entry in the books of the Collector of Assessments and Arrears. Sixty days from the date of entry are allowed for the payment of such assessments without interest. If the assessment is not paid within that period, interest at the rate of 7 per cent. per annum is charged from the date on which the assessment became a lien. If an assessment exceeds 3 per cent. of the assessed value of the land, it may, upon application to the City Collector be paid in ten annual installments, with interest at the rate of 5 per cent. per annum on the unpaid balances.

An amendment of the Charter recently made by the Municipal Assembly permits the Board of Assessors to levy assessments for public improvements, when a portion of the cost is to be borne by a borough or by the city at large, immediately upon the registration of the contract by the Comptroller. Contracts of this category were for the Coney Island boardwalk, and the grading and paving of Queens Boulevard and Hylan Boulevard in Richmond. The total cost of these proceedings amounted to \$6,340,000. This procedure will expedite the collection of assessments of this character.

Assessments become a lien ten days after they are entered on the records of these offices.¹ The Comptroller is permitted to issue ten year assessment bonds for the street improvement fund to pay for assessable improvements; the moneys collected on assessments are therefore paid over to this fund.² On December 31, 1925, there were \$55,750,000 outstanding in assessment bonds. During 1925 it had been necessary to borrow \$1,690,000 for this fund to meet assessment deficiencies and to issue \$20,000,000 in assessment bonds (taken by city sinking funds.³) On December 31, 1925, there were outstanding uncollected assess-

¹ Charter, Section 159.

² Charter, Section 181.

³ *Comptroller's Report for 1925*, pp. 349, 350, and 165.

ments amounting to \$24,234,500 of which over \$10,000,000 dates back to 1923 or earlier. The fund had also made advances totaling \$37,234,000 on contracts completed or partially completed. The total outlay in advance of collection was \$61,468,000.¹

Excess Condemnation

In 1913 the State Constitution was amended to permit excess condemnation. "The legislature may authorize a city to take more land than is needed for actual construction in the laying out, widening, extending, or relocating parks, public places, highways, and streets; provided, however, that the additional land and property so authorized to be taken shall be no more than sufficient to form suitable building sites abutting on such park, public place, highway, or street. After so much of the land and property has been appropriated for such park, public place, highway or street as is needed therefor, the remainder may be sold or leased."²

The Charter was amended in 1916, and this power was conferred upon New York City. The Charter provision makes it clear that the whole property must be acquired when the project is begun.³ This power has been used numerous times, for example, in connection with the development of a civic center, about the new Court House, in connection with the Eighth Avenue Subway, and in the vicinity of the Sixth Avenue Extension. The latest proposal has been to use it to acquire land for the new housing projects.

¹ *Ibid.*, p. 349.

² Constitution Article I, §7.

³ Charter. Sections 970-a and 970-b. This was added by Laws of 1916, Chapter 112.

CHAPTER VII

NEW YORK CITY'S DEBT POLICIES

On January 1, 1927, New York City's gross debt had reached \$1,880,436,000.¹ The mere size of the figure is arresting. As the city's debt has grown, it has become more and more complicated. Few other, if any, governmental units have outstanding obligations of so many varieties, amortized in such different ways. The city has a pre-consolidation debt, supported by three obsolescent sinking funds. The largest of these funds holds "General Fund Bonds" of the city. Interest is paid from the General Fund, but the transaction is merely on paper. The post-consolidation debt is distributed among three sinking funds. These funds are entirely invested in the city's bonds. The city also issues Serial Bonds. Three forms of temporary indebtedness are used. The city incurs its permanent obligations in the shadow of a constitutional debt limit of 10 per cent. of assessed real estate valuations; it issues its temporary obligations in the penumbra of a 2 per cent. tax limitation. An emasculated "pay-as-you-go" law feebly attempts to limit long-term borrowing to self-sustaining improvements. Legal perplexities and fiscal complications go hand in hand.

The temporary debt of the city embraces but 4 per cent. of the total outstanding obligations. It is in three forms. Revenue Bills are issued in anticipation of taxes,² to meet expenditures authorized in the budget, and are redeemable from the revenues of the same year. Special Revenue Bonds are issued to meet certain emergency and mandatory expenditures not included in the budget. Tax Notes, since 1915, have been issued in order to finance expenditures for permanent improvements. Special

¹ Throughout this chapter, unless specifically noted, "General Fund Bonds" are not included in the totals. The reasons are outlined below. See p. 196.

² Charter, Section 187.

TABLE I

INDEBTEDNESS OF THE CITY OF NEW YORK AS OF DECEMBER 31, 1926¹
(In thousands of dollars)

	GROSS INDEBTEDNESS	SINKING FUND ASSETS	NET INDEBTEDNESS
Long-Term Indebtedness (Corporate Stock, Serial Bonds, and Corporate Stock Notes)			
General Purposes	\$ 817,353	\$171,079	\$ 646,274
Rapid Transit	351,604	5,838	345,766
Water	284,703	34,856	249,846
Docks	145,798	24,035	121,763
Assessment	61,532	53,886	7,646
Total	\$1,660,993	\$289,695	\$1,371,298
Temporary Indebtedness			
Revenue Bonds	\$ 20,000	.....	\$ 20,000
Special Revenue Bonds and Bills . .	28,125	.....	28,125
Tax Notes	16,500	.....	16,500
Total	\$ 64,625	.....	\$ 64,625
Total Bonded Indebtedness	\$1,725,618	\$289,695	\$1,435,923
Contract and Land Liabilities and Miscellaneous Minor Items	\$ 164,818	\$ 4,490 ²	\$ 160,328
Grand Total	\$1,880,436	\$294,185	\$1,596,251

Revenue Bonds (with certain exceptions) and Tax Notes must be redeemed by appropriations in the budget of the succeeding year.³

Six per cent. of the city's indebtedness is unfunded, and is in the form of "contract and land liabilities." Contract liabilities are "for work and labor to be performed or material to be furnished under contracts for public improvements," for the payment of which Corporate Stock has been authorized. Land liabilities are obligations to pay for land which is to be condemned. They are not regarded as liabilities until title has vested in the

¹ Compiled from the Comptroller's *Statement on the Debt Incurring Power*, as of January 1, 1927, and April 1, 1927, pp. 6 and 13. This table does not include General Fund Bonds for the reason discussed in the text on p. 196.

² Cash available for the liabilities, not in Sinking Funds.

³ See above, p. 28.

city. The amounts involved in both cases are registered on the books as "contract and land liabilities." They are contingent obligations and must be included in computing the city's debt margin. It is not necessary, however, to discuss them here, for as quickly as possible they are converted into Corporate Stock or Serial Bonds.

The long-term funded debt of the city (90 per cent. of the total debt) consists of three kinds of bonds: Corporate Stock,¹ generally issued for a term of fifty years; Serial Bonds of somewhat shorter terms, and Assessment Bonds with maturities of ten years or less.² The present study relates only to indebtedness incurred on account of expenditures for permanent improvements — that is, long-term indebtedness and Tax Notes required by the "pay-as-you-go" law of 1916. For several years the annual borrowings of this character have exceeded \$100,000,000. Such expenditures very largely condition the future growth and prosperity of the city.

Borrowing by New York City is usually preceded by the issuance of Corporate Stock Notes. Long-term obligations, therefore, are not issued until the expenditures have been made. Such an arrangement is more economical than that obtaining in many cities which issue bonds when the project is authorized, and in advance of its execution. The practice followed by New York City makes unnecessary the maintenance of large cash balances, and the premature payment of interest on bonds. The city also may choose the most favorable time for the issuance of its long-term stock or bonds. It may put its obligations on the market in large blocks of fifty or sixty million dollars which attract active bidding.³

¹ The term is confusing. Corporate Stock is nothing more than term bonds. Throughout this discussion, Corporate Stock and Bonds (*i. e.*, non-serial bonds) will be used interchangeably.

² These Assessment Bonds are at present all being sold to city sinking funds.

³ Should no sale of long-term stock occur before their maturity, Corporate Stock Notes may be renewed and the renewals redeemed from the next sale of the stock. The total amount of such notes and renewals must at no time exceed four-fifths of the amount of Corporate Stock or Serial Bonds authorized to be issued (Section 189 of the Charter). There was \$109,795,000 of these notes outstanding Jan. 1, 1927. These were largely retired from the proceeds of the bond sales early this year.

The principal concern of the present discussion is with the amount of the city's outstanding obligations, the purposes for which the indebtedness was incurred, the limitations imposed upon the city by the State Constitution, the extent to which the "pay-as-you-go" law has been followed, the borrowing policies which are being adhered to, and the terms of the corporate stock or serial bonds which have been issued. The problems posed by New York City's debt can be better understood, however, if a brief review is given of the city's past experience. The purposes for which long-term indebtedness was incurred before consolidation are a nice index of the principal problems which confronted the city during the previous century. The city's services and needs are mirrored in the recurring periods of stringency and of large scale borrowing. The emergencies have differed, and the emphasis has shifted from period to period.

GROWTH OF NEW YORK CITY'S DEBT

The city borrowed money as early as 1750. These loans were incurred for the construction of docks and public buildings, and the purchase of arms for the colonial wars and the War of Independence.¹ The terms were relatively short; and the debts were regarded as temporary expedients. The city, however, found itself compelled to renew the loans, and refund the bonds. The result was that at the close of the eighteenth century, the city had an indebtedness which for that time was substantial. Special powers were therefore secured from the Legislature in 1812² to facilitate the liquidation of this debt. The city set up a sinking fund to which certain specific revenues were pledged. In the twenties, when the debt had been only partly liquidated, the city incurred new obligations, principally for the construction of markets and the purchase of Blackwell's Island.³ Up to this point borrowing had been sporadic. Since then it has been frequent, and on an increasing scale. The city has been forced

¹ A. E. Petersen and G. W. Edwards, *New York as an Eighteenth Century Municipality*, 1917, pp. 400-403.

² Act of June 8, 1812.

³ Acts of March 24, 1820, and March 26, 1826.

to pile up a larger and larger indebtedness. Hardly a year has passed without the incurrence of new obligations.

CHART I
GROWTH OF NEW YORK CITY'S DEBT, 1860-1926

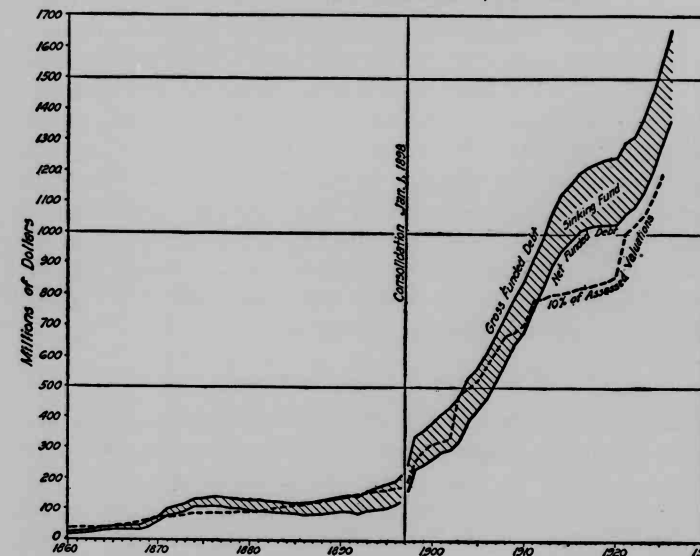


Chart I shows the growth of New York City's debt during the last hundred years. The increase has been by cycles. From 1835 to 1842 the Croton water system was largely responsible. In 1835 the people of the State, through a popular referendum, approved a loan of \$5,500,000 for the construction of the Croton water works. At the time, this seemed a staggering sum, but the amount voted proved to be insufficient, and only three years later additional loans had to be authorized. The total cost of six years' construction amounted to approximately \$8,000,000. In the same year, 1835, a great fire occurred, and bonds were issued to offer aid to its victims. These bonds were redeemed before 1860. From 1860 to 1865, war expenditures required extraordinary outlays. These bonds, which were issued in aid

of the families of volunteers or for other purposes, were liquidated before 1897. The period from 1869 to 1874 was Tweed's heyday, and the debt was piled high. Public buildings were a favorite object of expenditure. A relic of this period is, of course, Tweed's County Court House. Borrowing for school construction began in 1871. Prior to that time school buildings had been financed directly from taxation, but in 1871 a bond issue of \$200,000 was authorized. Bridge construction appears in the late seventies. The years, however, which followed Tweed's "liberality" were years of retrenchment; the taxpayer's pocketbook was being emptied and aversion to new debts was great. A new water supply system, and the necessity of providing transit facilities (1893-1914) strained the city's borrowing powers. The World War, as will be explained later, postponed many needed expenditures. Thereafter, up to within four years ago, major public improvements were almost at a standstill.

OBJECTS OF INDEBTEDNESS

The relative importance of the various purposes of indebtedness is shown on Table II and Chart II, as of the years 1860, 1897, and 1926. In the outstanding indebtedness of 1860 the water supply was the principal item, with parks coming second. By 1897, docks and public buildings, streets and sewers, parks, schools and bridges all required substantial expenditures, but, water still held the leading place. By 1926, parks, which had been second in importance in 1860¹ and third in 1897, held the eighth position. Rapid transit expenditures topped all others, with water, schools, streets and sewers and docks following in the order mentioned. Such an order may be only temporary, but the differences in the amounts of indebtedness incurred for the different purposes are so great, and the city's borrowing margin is so limited, that some time must elapse before the relative positions are materially modified. It should be noted, in connection with the 1926 figures, that here, as throughout this chapter, no account is taken of changing price levels.

¹ The expenditures for parks began in the fifties with the acquisition of land for the Central Park.

CHART II
OBJECTS OF NEW YORK CITY'S INDEBTEDNESS IN 1860, 1897 AND 1926

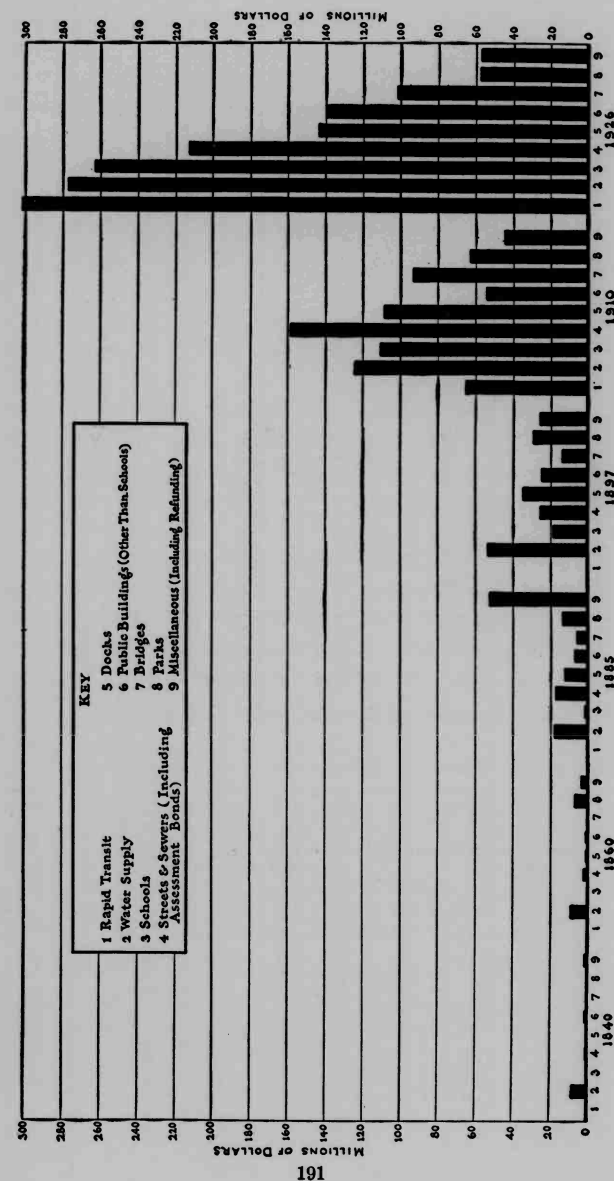


TABLE II
OBJECTS OF INDEBTEDNESS OF THE CITY OF NEW YORK OVER THE PERIOD OF A CENTURY¹
(In thousands of dollars)

OBJECT OF INDEBTEDNESS	YEAR ENDING DECEMBER 31ST						
	1830	1840	1860	1885	1897	1910	1926
Rapid Transit						\$64,652	\$301,609
Water Supply		\$7,803	\$8,899	\$17,747	\$53,083	130,821	277,203
Schools				1,168	18,045	110,367	263,074
Streets and Sewers (Including Assessment Bonds)				16,963	24,992	164,460	212,459 ¹⁰
Docks		400 ²	1,897 ³	12,053	34,033	108,783	143,298
Public Buildings (Other Than Schools)	\$570	1,015 ³	800	6,345	24,319	75,030	138,583
Bridges			943 ³	5,587	13,474	93,782	101,165
Parks				6,567	28,845	62,606	56,957
Miscellaneous (Including Refunding)		1,623 ⁴	3,303 ³	52,015 ⁹	25,168	36,622	56,847 ¹¹
Total	\$570	\$10,841	\$22,203	\$125,475	\$223,018	\$857,953	\$1,551,198

¹ Compiled from the Reports of the Comptroller for the years 1840, 1860, 1885, 1897, and 1910, and from the Comptroller's *Statement on the Debt Incurred by the City, as of January 1, 1927, etc.*, p. 15.

² Assessment bonds.

³ Of this amount, \$500,000 was a residue of the 5 per cent. stock issued in 1820 and 1829, under Act of March 24, 1820, and March 26, 1826, on account of the expenditures for the Fulton Street market and the purchase of the State Prison at Greenwich, and Blackwell's Island, and the refunding of the balance of the 6 per cent. stock of 1812. The outstanding debt at the end of 1830 was \$1,002,300. The net debt, \$889,639.

⁴ \$1,223,000 on account of the fire of 1835 (loans and indemnities to victims).

⁵ \$300,000 general street improvement bonds; the balance, assessment bonds.

⁶ \$190,000 for building a workhouse on Blackwell's Island; \$300,000 for

a settlement with state lessees on account of Washington market; \$153,000 for rebuilding Tompkins market; \$300,000 for miscellaneous public buildings.

⁷ The first expenditures for parks began in the fifties.

⁸ \$2,748,000 floating debt stock; \$402,000 residue of the fire indemnity stock of 1835; \$153,000 in payment of the debt of the Public School Society.

⁹ The bulk of this amount consisted of stock issued during the Tweed régime and consolidated stock issued in the seventies to fund or refund stock previously issued and for which no sinking fund provisions had been made. The objects of this stock were not specified. There were also included in this amount \$3,632,000 bonds issued during the Civil War in aid of volunteers, their families, etc.

¹⁰ Of which, \$81,532,000 were assessment bonds.

¹¹ \$12,319,000 for libraries and sites; \$10,064,000 for public enterprises (principally ferries); \$7,129,000 for miscellaneous purposes; and \$27,334,000 for refunding bonds and funding of deficiencies in taxes.

The total indebtedness of New York City, however, has not grown proportionately more rapidly than the indebtedness of other cities in the United States. The New York debt reached high levels earlier, but this was natural, for the city had a large population and many special problems. Three rivers that must be bridged and tunnelled, outlying boroughs that must be developed, the geography of the principal borough, Manhattan—an elongated island which makes it impossible to converge on centers as may be done in Paris or London—the fact that ten million people live within a radius of twenty-five miles, and the demands of the greatest seaport in the United States have inevitably forced continually mounting expenditures.

SINKING FUNDS

Eighty-five per cent. of the city's permanent debt is Corporate Stock. For its redemption the city maintains six sinking funds. Three sinking funds are pledged to the retirement of the pre-consolidation debts. These will be liquidated within the next two to ten years, and the sinking funds will then be discontinued.¹ The three funds which will remain will be the Sinking Fund of the City of New York, the Water Sinking Fund, and the Rapid Transit Sinking Fund. Table III shows that each of the sinking funds has accumulations in excess of its requirements. Appropriations for the three permanent funds are made annually in the budget.²

¹ The last bonds redeemable from the Sinking Fund No. 1 are due in 1933; the two other sinking funds (former city of Brooklyn indebtedness) terminate in 1937.

² These three sinking funds have annual revenues amounting to approximately \$18,550,000 of which \$8,620,000 represents interest paid from the City Treasury on city securities held by these funds and \$9,150,000 the budget appropriation for amortization. The balance consists of subway rentals, interest on bank balances, etc. *Comptroller's Report for 1926*, p. 324.

The operation of these sinking funds in 1926 is shown in the following consolidated statement which, however, does not include Sinking Fund No. 1. The operation of this fund and its relation to the General Fund are discussed on p. 196.

RECEIPTS		EXPENDITURES	
Cash on hand, Jan. 1.....	\$2,481,109	Investment in City Securities...	\$42,402,925
Surplus Water Revenue (B'klyn)....	3,067,851	Redemption.....	1,381,950
Subway Rentals.....	570,957	Accrued interest, refunds, etc....	115,116
Interest on Bank Balances.....	96,436	Cash balance Dec. 31.....	5,846,955
Revenue from Investments.....	9,300,120		
Securities redeemed or sold.....	25,040,297		
Amortization Appropriation, Budget..	9,105,000		
	\$49,746,956		\$49,746,956

TABLE III

ASSETS AND OBLIGATIONS OF THE SINKING FUNDS AS OF DECEMBER 31, 1926¹
(In thousands of dollars)

SINKING FUNDS	BONDS REDEEMABLE	RESERVES REQUIRED	ACTUAL ASSETS	SURPLUS
<i>Permanent Sinking Funds</i>				
Sinking Fund of the City of New York	\$ 724,614	\$190,568	\$196,697	\$ 6,129
Rapid Transit Sinking Fund of the City of New York	243,170	19,613	20,945	1,331
Water Sinking Fund of the City of New York	275,142	38,459	39,818	1,359
Total	\$1,242,926	\$248,641	\$257,461	\$ 8,820
<i>Pre-Consolidation Sinking Funds (Soon to be Liquidated)</i>				
Sinking Fund for the Redemption of the City Debt, No. 1	16,268	15,194	19,812	4,618
Sinking Fund of the City of Brooklyn	4,173	3,010	7,576	4,565
Water Sinking Fund of the City of Brooklyn	1,585	1,187	12,435	11,248
Total	\$ 22,026	\$ 19,392	\$ 39,824	\$20,432
Grand Total	\$1,264,953	\$268,033	\$297,285	\$29,252

There is a seventh fund, the Sinking Fund for the Payment of Interest on the City Debt, which is not a true sinking fund. Its revenues are derived from water rates, ferry revenues, rents, and court fees and fines. The surpluses of this fund go into Sinking Fund No. 1. These amounts have been increasing rapidly. In 1926, they amounted to \$17,400,000 out of the fund's total revenues of \$19,134,000.²

The contributions to the pre-consolidation funds are not actuarially determined. The most important of these funds is the Sinking Fund for the Redemption of City Debt, No. 1. The remainder of the entire indebtedness of the old City of New York is to be paid from this fund, to which are pledged various miscel-

¹ Excerpted from the Comptroller's *Statement on the Debt Incurring Power*, as of January 1, 1927, and April 1, 1927, pp. 11-12.

² This fund will be discontinued when Sinking Fund No. 1 is discontinued in 1933.

laneous revenues such as rents from docks and markets, revenues from the franchises of street railroads and minor utilities, and various licenses and permits—in all, half of the city's miscellaneous revenues. Such a scheme of building up a sinking fund is characteristic of the early attitude toward amortization of municipal debts. The idea was borrowed from the English practice of the eighteenth century, and was in great favor until about half a century ago. Today it is gradually being abandoned.¹ Before consolidation, New York on occasion accumulated sinking funds in excess of their actuarial requirements. These sinking funds contained surpluses which could not be used for the amortization and redemption of unconnected items of indebtedness, or for current expenditures.² When consolidation took place, a line of demarcation was drawn between prior and subsequent indebtedness. The existing sinking fund was left intact. Miscellaneous revenues were to be paid into it as before, and were to be used exclusively for the redemption of the pre-consolidation indebtedness. It was feared that the holders of the old bonds might contest the legality of any other arrangement. New and different sinking funds, however, were established for the amortization of future bond issues.

General Fund Bonds

Sinking Fund No. 1 began at once greatly to exceed its requirements. Calculation showed that by the time the last bonds were redeemed, there would be a surplus of more than \$300,000,000. There was an embarrassment of unusable riches. A scheme was therefore devised which would avoid litigation, but which would at the same time allow the surpluses to be diverted to other purposes. The city was to take the surplus each year and pay it

¹ On the comparative merits of sinking funds and serial bonds there may be legitimate differences of opinion (see below, p. 198). If, however, a sinking fund is used, its building up should take place by appropriations from general revenues rather than by earmarking specific receipts. Such receipts are either too large or too small precisely to meet the sinking fund requirement. If certain sources of revenue are so pledged, the municipal authorities are prevented or discouraged from revising charges, for the increased revenues would simply go into the sinking fund.

² The special legislation in 1878 did not relieve this situation. See E. D. Durand, *The Finances of New York City* (1898), p. 306.

into the General Fund for the reduction of taxes. In return, the city was to issue annually to Sinking Fund No. 1 bonds of an equivalent amount. These "General Fund Bonds" were to be held by the Sinking Fund as security against the possibility that its accumulations might not be sufficient to retire the debt redeemable from it.¹ If the debt could not be so retired, General Fund Bonds of the required amount were to be sold, and the other bonds redeemed from the proceeds of the sale.

During the first year of the system, about \$8,500,000 was taken out of the Sinking Fund, and applied to the reduction of taxation. General Fund Bonds of this amount were issued. In 1926 the figure was \$43,000,000 and at the close of that year the total amount of General Fund Bonds was \$576,250,000. The amounts issued annually are shown in Table IV. These bonds have not been sold to the public, and they do not represent an obligation of the city in the accepted sense of the term. In 1926, the total outstanding indebtedness redeemable from the sinking fund amounted to 15 million dollars. The fund had investments and cash assets of \$20,000,000, or an excess of 33 per cent. Yet the sinking fund had an additional "security" in General Fund Bonds of \$576,250,000.

These General Fund Bonds bear interest which is paid from the General Fund into the Sinking Fund.² Since the Sinking Fund is overflowing, the interest money flows back at once into the General Fund, and requires the issue of an equal amount of more General Fund Bonds — surplus, bonds, interest — more surplus, more bonds, more interest. . . . But the motion is not perpetual. These paper transactions will come to an end in 1933, when the bonds supported by Sinking Fund No. 1 will be retired. The city's debts will be more fused and less confused.

¹ This scheme was embodied in an amendment of the Charter secured in 1903 (Section 222). Such a security was hardly necessary, because the accumulations at the time were already almost equal to the amount of the outstanding debt.

² The total accumulations of interest now amount to \$148,478,000. This interest is actually paid by drawing a warrant upon the Chamberlain as in the case of any other city payment. Later new warrants are drawn to pay the surplus back to the General Fund in return for General Fund Bonds.

TABLE IV
GENERAL FUND BONDS ISSUED IN 1903-1926¹

YEAR ENDED DECEMBER 31	GENERAL FUND BONDS	
	Issued During the Year	Outstanding at End of Year
1903	\$8,500,000	\$8,500,000
1904	9,500,000	18,000,000
1905	11,000,000	29,000,000
1906	11,750,000	40,750,000
1907	13,500,000	54,250,000
1908	14,500,000	68,750,000
1909	16,750,000	85,500,000
1910	17,000,000	102,500,000
1911	17,500,000	120,000,000
1912	17,500,000	137,500,000
1913	22,000,000	159,500,000
1914	23,500,000	183,000,000
1915	23,000,000	206,000,000
1916	23,500,000	229,500,000
1917	25,000,000	254,500,000
1918	27,000,000	281,500,000
1919	28,500,000	310,000,000
1920	32,500,000	342,500,000
1921	34,000,000	376,500,000
1922	37,500,000	414,000,000
1923	38,500,000	452,500,000
1924	39,500,000	492,000,000
1925	41,000,000	533,000,000
1926	43,250,000	576,250,000

Serial Bonds versus Sinking Funds

In 1915 the Charter was amended² to permit the issue of Serial Bonds as an alternative to the regular Corporate Stock redeemable by sinking fund accumulations. Each issue of such bonds is divided into series, which are retired annually in definite and equal amounts. Of a twenty-year series one-twentieth is retired each year. An appropriation is included in each year's budget for this direct retirement. This corresponds to the annual appropriation that must be made to a sinking fund to care for

¹ Compiled from the Annual Reports of the Comptroller.

² Section 169, amended by Laws of New York, 1915, c. 309.

the amortization of non-serial or term bonds. To this extent the two systems are not dissimilar. A portion of an issue of Serial Bonds, however, is retired annually. The total of outstanding obligations to be amortized by a sinking fund remains constant, though the net debt diminishes as the sinking fund accumulates. Some sinking funds are invested in various interest bearing securities.¹ New York's sinking funds, however, are all invested in the city's own obligations.² This practice makes New York's debt structure at once simple and complicated. As their assets accumulate, the sinking funds purchase the city securities. The interest on these securities goes to the sinking funds. The sinking funds purchase only the city's new issues and do not buy in the open market. The outstanding obligations payable from the city's Sinking Funds on January 1, 1927, amounted to \$1,264,962,000. Against this liability the City's Sinking Fund held \$287,795,000 in miscellaneous city bonds. Of the bonds held by the Sinking Fund \$157,039,980 were payable from the Sinking Funds themselves. Besides their investments the Sinking Funds had a cash balance of \$6,013,249 plus items of accrued interest due them of \$2,886,317. In addition to the bonds of the City the funds held \$600,000 in Liberty Bonds. The aggregate assets in the Sinking Funds was, therefore, of \$299,194,706.

Authorities on public finance have long debated the comparative merits and demerits of serial bonds and sinking funds.³ Administrative costs of sinking funds are somewhat greater, and the system is undeniably more complicated. On the other hand, there is one great compensating advantage. If a city of the size of New York uses sinking funds, it can, in times of stringency, assist in financing itself. New York City pays itself, on the \$287,795,000 of obligations which its sinking funds hold, \$10,000,000 annually in interest. This amount — plus \$10,000,000 which goes annually into the sinking fund for amortization — becomes available each year for the purchase of Corporate Stock

¹ For the practice in different municipalities, see L. D. Upson, *The Practice of Municipal Administration*, pp. 107-125.

² Save for an exceptional investment of \$600,000 in Liberty Bonds.

³ For references, see Upson, *op. cit.*, Chapter VI.

or bonds. Even in most stringent times, the city has this reserve for public improvements.

The city adheres very largely to the policy of sinking funds. Out of the total debt of \$950,000,000 incurred between 1915 and 1926, only \$218,000,000, or less than one-fourth, represented serial bond issues (See Table IX).

THE CONSTITUTIONAL DEBT LIMIT

Before it was consolidated in 1898, the city was under the necessity of applying to the Legislature for authority every time it wished to borrow. The new Charter, adopted in 1898, gave to the city general powers to borrow for any municipal purpose, subject to certain limitations imposed by the Constitution. These powers have been continued in the present Charter (1901). Before 1884 there was no limitation on the amount of indebtedness which the city could incur. When legislative authorization was secured, the borrowing power of the city was limited only by its ability to market its bonds.

Before the Tweed régime, the city borrowed quite conservatively. In 1870-71, however, the indebtedness rose almost to 12½ per cent. of the assessed valuation of real estate. Many of the bonds then issued were at the high rate of 6 per cent. and were made redeemable from taxation. When, in the early eighties, it became necessary to repay these bonds, the taxpayers were severely burdened. A demand arose for a constitutional check that would prevent the recurrence of such a situation. In 1884, therefore, the Constitution was amended to prevent the repetition of such abuses. The borrowing capacity of the city was limited to 10 per cent. of the assessed valuations of taxable real estate. At the same time, the tax rate which the city could impose on real and personal property was limited to 2 per cent. of the assessed valuation. Debt charges on the permanent debt were exempted from this tax rate limit.¹

Immediately after 1884, the 10 per cent. debt limit was somewhat embarrassing. The debt was being reduced, but the gross

¹ The text of this amendment as it developed between 1884 and 1926 is given in the Appendix, p. 339.

TABLE

GENERAL SOURCES AND AMOUNT OF EXPANSION OF CITY'S DEBT-
Prepared by the Bureau of Accountancy,

YEAR	TOTAL YEARLY AMOUNTS EXPANDING CITY'S DEBT-INCURRING POWER (1)	BONDS EXEMPTED BY APPELLATE DIVISION, SUPREME COURT (2)	TEN (10) PER CENT. OF ASSESSED VALUATION OF REAL ESTATE (3)	BUDGET APPROPRIATION FOR REDEMPTION OF DEBT (EXCLUSIVE OF COUNTY DEBT) (4)	REDEMPTION OF DEBT FROM OTHER SOURCES (5)
				From January 1, 1910	
1910	\$83,048,208.43	A \$43,868,325.18	\$25,701,297.00	\$1,036,529.91	\$3,877,500.00
1911	99,882,290.47	A 3,614,400.00	81,464,749.00	915,029.91	179,500.00
1912	14,811,945.47		305,872.00	994,529.91	108,500.00
1913	94,745,941.93	B 69,943,053.55	14,474,897.00	761,051.51	117,300.00
1914	18,301,036.27		4,321,205.00	1,005,286.71	402,500.00
1915	19,650,108.15		5,890,087.00	562,686.71	1,114,479.49
1916	27,876,874.55		9,906,157.00	2,728,647.50	2,735,990.00
1917	23,064,876.56		4,672,664.00	4,358,450.00	251,500.00
1918	29,363,006.99	A \$3,530,999.68	8,509,385.00	4,556,650.00	204,100.00
1919	29,529,089.56		8,867,990.00	5,051,150.00	231,600.00
1920	40,960,764.39		19,779,895.00	5,091,650.00	839,600.00
1921	155,985,384.65		134,686,339.00	4,876,150.00	364,100.00
1922	50,200,820.12		27,700,673.00	5,134,350.00	524,224.08
1923	58,051,781.59		34,607,373.00	8,975,230.47	339,600.00
1924	82,257,195.06		55,274,592.00	9,616,652.84	330,100.00
1925	106,673,120.92		75,253,706.00	15,065,557.79	467,600.00
1926	145,768,646.35		109,623,228.20	18,430,900.00	341,334.82
Grand Totals	\$1,080,057,071.47	\$120,956,778.41	\$619,040,109.20	\$89,160,503.26	\$12,429,528.39

(A) Rapid Transit Bonds.

(B) Dock Bonds.

indebtedness exceeded 10 per cent. of the assessed valuation. The question therefore arose as to whether the indebtedness referred to by the constitutional amendment was gross or net indebtedness. Could the accumulations of the sinking funds be deducted from the gross indebtedness in computing the difference between the amount outstanding and the amount permitted by the ten per cent. constitutional limitation — that is, the annual debt incurring power of the city? The question was submitted to the courts, which ruled that the sinking fund accumulations were deductible.¹

For the first decade after the adoption of the amendment, the

¹ See *Bank for Savings vs. Grace*, 102 N. Y. 313 (1900).

V

INCURRING POWER DURING EACH YEAR FROM 1910 TO 1926
Department of Finance

TOTAL OF SINKING FUND REVENUES (9) LESS RESERVES (10) (6)	SINKING FUND REVENUES				YEAR
	Amortization of Debt (Budget Appropriations and Rapid Transit Rentals) (7)	Revenue from Investments; Interest on Bank Balances; Surplus Water Revenue (8)	Totals (9)	Reserve for Amortization of Exempted Debt (10)	
to December, 31	1926				
\$10,564,556.34	\$7,650,494.63	\$5,553,713.34	\$13,204,207.87	\$2,639,651.53	1910
13,714,611.56	8,290,672.83	7,070,550.97	15,361,223.80	1,646,612.24	1911
13,403,043.56	8,973,905.57	6,284,167.67	15,258,093.24	1,855,049.68	1912
9,449,639.90	9,233,149.90	7,580,755.38	16,818,905.28	7,369,265.38	1913
12,572,044.56	7,965,079.58	7,901,906.55	15,866,986.13	3,294,941.57	1914
12,082,854.95	7,913,871.79	7,779,186.86	15,693,058.65	3,610,203.70	1915
12,506,080.05	8,714,164.35	7,646,067.76	16,360,232.11	3,854,152.06	1916
13,782,262.56	9,215,386.71	8,585,123.12	17,800,509.83	4,018,247.27	1917
12,561,872.31	9,767,942.41	8,502,050.35	18,269,992.76	5,708,120.45	1918
15,378,349.56	9,740,516.14	9,870,700.52	19,611,216.66	4,232,887.10	1919
15,249,619.39	9,229,234.54	10,317,354.24	19,546,588.78	4,296,969.39	1920
16,058,775.63	10,276,907.41	10,149,781.83	20,426,689.24	4,367,913.61	1921
16,841,573.04	9,852,794.00	11,307,286.73	21,160,080.73	4,318,507.69	1922
14,109,578.12	7,661,305.71	11,777,521.43	19,438,827.14	5,329,249.02	1923
17,035,850.22	8,816,741.91	13,122,380.35	21,939,122.24	4,903,272.02	1924
15,786,257.13	8,819,776.50	12,349,046.79	21,161,823.29	6,375,566.16	1925
17,373,183.33	9,720,956.65	13,181,461.89	22,902,418.54	5,529,235.21	1926
\$238,470,152.21	\$151,847,900.53	\$158,972,075.76	\$310,819,976.29	\$72,349,824.08	

city borrowed conservatively. Its new issues corresponded to the amortization and redemption of the outstanding bonds. The assessed valuations of real estate were soon increased, and the ratio of indebtedness therefore declined. In 1893, demands for improvements caused the city to borrow on a relatively larger scale, but the indebtedness still remained materially below the constitutional limit. When consolidation took place, however, the ten per cent. limitation again loomed up.

The consolidated city took over the debts of the political units which had been absorbed. While negotiations for consolidation were in progress, many of the smaller places, not subject to a constitutional debt limit, piled up obligations whose burden

TABLE VI

LEGAL DEBT-INCURRING POWER AND THE NON-EXEMPT BONDS ISSUED IN
EACH YEAR FROM 1898 TO 1926, INCLUSIVE¹
(In thousands of dollars)

YEAR	LEGAL DEBT-INCURRING POWER AT BEGINNING OF YEAR	ADDITIONS TO DEBT-INCURRING POWER DURING THE YEAR				NON-EXEMPT BONDS ISSUED DURING YEAR
		10 Per Cent. of Assessed Valuation of Real Estate	Redemption of Non-exempt Bonds from Taxation	Revenues of Sinking Funds for Non-exempt Bonds	Total	
(1)	(2)	(3)	(4)	(5)	(6)	(7)
1898	\$-20,131	\$6,429	\$4,020	\$11,155	\$21,606	\$21,985
1899	-14,469	40,501	10,629	12,681	63,812	27,137
1900	47,409 ²	23,610	4,389	14,459	42,459	31,198
1901	20,534	6,923	7,781	14,941	29,646	24,920
1902	7,551	9,286	4,973	17,799	32,060	14,751
1903	6,009	142,088	4,995	10,371	157,455	27,356
1904	103,646	26,391	11,810	10,000	48,203	61,092
1905	72,844	20,611	.....	.....	.....	31,220
1906	45,953	51,690	.....	.....	.....	39,828
1907	31,143	50,199	.....	.....	.....	55,843
1908	27,695	48,193	.....	.....	.....	48,687
1909	48,605	8,476	.....	.....	.....	41,342
1910	58,764	23,701	4,914	10,564	39,179	39,303
1911	78,886	81,464	1,094	13,714	96,281	34,350
1912	125,684	306	1,103	13,403	14,812	47,521
1913	88,814	14,474	878	9,449	24,801	38,760
1914	51,373	4,321	1,407	12,572	13,301	59,239
1915	56,792	5,890	1,677	12,082	19,649	55,360
1916	54,326	9,906	5,464	12,506	27,877	50,745
1917	51,501	4,672	4,619	13,782	23,074	58,013
1918	50,270	8,509	4,860	12,561	25,931	2,327
1919	73,892	8,867	5,282	15,378	29,528	7,710
1920	70,478	19,779	5,931	15,249	40,959	6,324
1921	63,513	134,686	5,240	16,058	155,284	108,618
1922	175,266	27,700	5,658	16,841	50,230	28,264
1923	173,180	34,607	9,315	14,109	58,032	11,000
1924	148,323	55,274	9,946	17,035	82,255	110,372
1925	123,423	75,254	15,533	15,786	106,573	109,233
1926	101,747	109,623	18,772	.....	.....	85,218
1927	127,143	154,225	.....	.....	.....	.....

¹ Sources: the figures in column 2 are taken for the years 1898-1904 from the Comptroller's Report on the Debt Incurring Power of the City, October 1904; and for the later years from the annual reports of the Comptroller; those in column 3 are computed from the annual reports of the Tax Department of the city; those in columns 4 and 5 are taken for the years 1898-1904 from the 1904 Report of the Comptroller mentioned above; those for the years 1910-1925 have been furnished by the Bureau of Municipal Accounts; those in column 7 are computed as indicated in Table VIII, see p. 209.

² The large increase in the debt-incurring power that year was due to the exemptions that year by a constitutional amendment of the county debt of \$29,193,000.

could be shifted to the greater city. Moreover, the Corporation Counsel rendered an opinion requiring the inclusion of "contract and land liabilities"¹ in the computation of the indebtedness to which the constitutional limit applied. Before consolidation, such a legal ruling would have been unimportant. After consolidation, any addition made a great difference.² The resulting aggregate indebtedness was in excess of the constitutional limit.³ No further borrowing, therefore, could take place, and it was feared that loans which had been authorized, and under which expenditures were being made, were illegal. In 1899, therefore, the State Constitution was amended to exempt the county debt of \$29,000,000 from the debt limit, and the borrowing powers of the city were released to this extent.

Assessed valuations were largely increased in 1899 and 1900. A margin for the further exercise of the borrowing power was thus created. In 1901 and 1902, nevertheless, the borrowing powers of the city were low.⁴ The assessed valuations were sharply raised, and in 1904 there was a substantial margin. Such small measures of relief were obviously futile where the city desired to borrow for the expenses of great improvements like the Williamsburg, Manhattan and Queensboro Bridges, the subways, and water supply projects. Another constitutional amendment was therefore adopted (1905). It exempted from the debt limit all water

¹ The Court of Appeals later sustained this view. See *Levy vs. McClellan*, 196 N. Y. 178 (1909).

² The amount of these liabilities in 1897 was \$65,000,000.

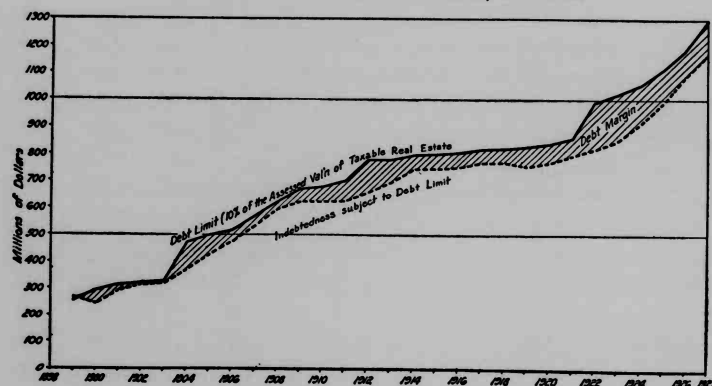
³ The situation was reported by the Comptroller in 1898 as follows:

	FORMER CITY OF NEW YORK	TERRITORY CONSOLIDATED WITH FORMER CITY OF NEW YORK
Net bonded debt	\$138,855,361	\$91,447,311
Contract liability	25,122,351	1,041,804
For land acquired	37,765,813	182,339
For judgments	1,200,000	891,832
	\$202,943,525	\$93,563,288
Ten per cent. of assessed valuation of real estate	178,718,679	67,594,889
Excess over constitutional limit	\$24,224,846	\$25,968,399
Aggregate excess of New York City on January 1, 1898		\$50,193,246

⁴ Table V and Chart III.

CHART III

NEW YORK CITY'S BORROWING MARGIN, 1900-1927



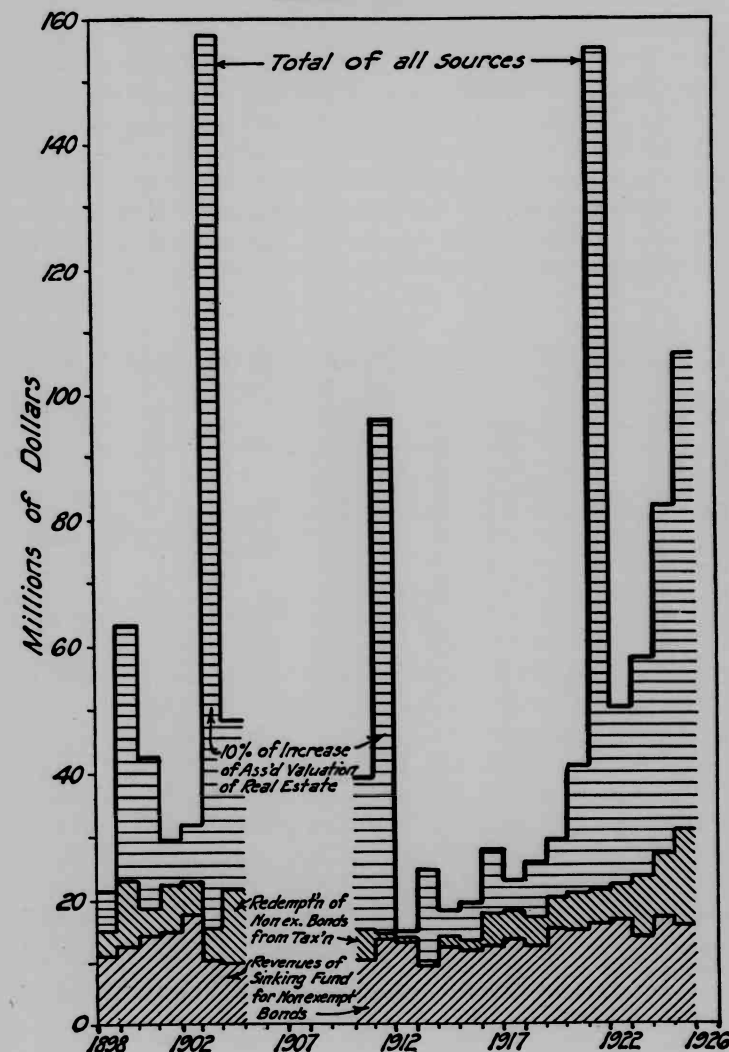
bonds issued after December 31, 1903. This was justified on the theory that water revenues would be secured in sufficient amount to care for interest and amortization charges, etc., — that, in other words, the improvements would be self-sustaining. The city was thus enabled to borrow to the extent necessary to complete the water system then under way, and to use for other great improvements the additional borrowing capacity created by the withdrawal of water bonds from the debt limit. During the next twenty years, water bonds to the amount of more than \$270,000,000 were issued outside the debt limit.

Substantial as this increase was, the city was again in difficulties by 1908. During the ten years which followed consolidation, \$500,000,000 had been borrowed. \$72,000,000 had been spent for schools, and approximately the same amount for streets and sewers. Water, transit, bridges, and docks (including ferries) had required \$50,000,000 each, or a total of \$200,000,000. \$38,000,000 had been spent for public buildings, and \$29,000,000 for local improvements financed by special assessments.¹ In

¹ Figures given by the one-time Deputy Comptroller of the City, Edgar J. Levey, in his communication to the Joint Legislative Committee appointed to examine into the finances of the city of New York. (November, 1908)

CHART IV

SOURCES FROM WHICH THE DEBT-INCURRING POWER HAS BEEN FED OR RECONSTRUCTED ANNUALLY



January, 1908, the borrowing margin of the city was estimated by the Comptroller at less than \$3,000,000. Yet there were outstanding at that time authorizations for the issuance of additional stock exceeding \$180,000,000 in amount, and the city was about to let large contracts on the strength of these authorizations. The courts were appealed to. A taxpayer sought to enjoin the Board of Estimate and Apportionment from approving a contract for the construction of subways on the ground that the city's capacity to incur further indebtedness was insufficient to supply the funds necessary to complete construction. A referee was appointed to conduct an inquiry into the amount of existing indebtedness, subject to the constitutional debt limit.¹

TABLE VII

GROSS BONDED INDEBTEDNESS AS OF DECEMBER 31, 1926, CLASSIFIED AS EXEMPT AND NON-EXEMPT (EXCLUSIVE OF CORPORATE STOCK NOTES)²

CHARACTER OF INDEBTEDNESS	NON-EXEMPT	EXEMPT	TOTAL
General Purposes (Schools, Streets, Public Buildings, Etc.)	\$758,197,000	.....	\$758,197,000
Rapid Transit	250,596,000	\$51,014,000	301,610,000
Water	7,247,000	269,956,000	277,203,000
Docks and Ferries	82,712,000	69,943,000	152,655,000
County . . . . .	.....	2,142,000	2,142,000
Total	\$1,098,752,000	\$393,055,000	\$1,491,807,000

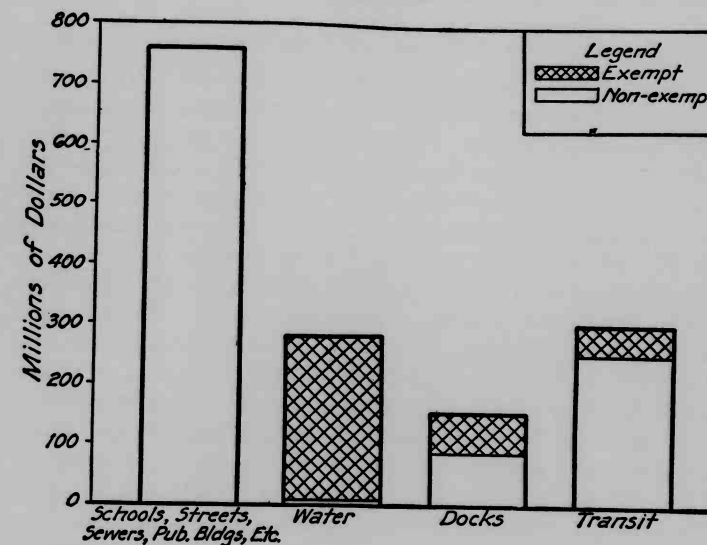
It was evident that even the most liberal interpretation of the borrowing margin of the city would not permit the large expenditures necessary for subways. Relief, therefore, had to be sought through a new constitutional amendment (1909). Revenue producing improvements for New York City which, after deduction of all repairs and maintenance, netted a revenue in excess of debt charges, were excluded from the debt limit so long as this condition obtained. Subway and dock bonds were exempted from the debt limit to the extent that they were self-

¹ See *New York City's Debt*, a brief submitted by the Bureau of Municipal Research before Referee B. F. Tracy, in *Levy vs. McClellan*.

² Compiled from Comptroller's *Statement on the Debt Incurring Power*, as of January 1, 1927, and April 1, 1927, pp. 9 and 12.

CHART V

OUTSTANDING INDEBTEDNESS ON APRIL 1, 1927, CLASSIFIED AS EXEMPT AND NON-EXEMPT



sustaining.¹ At the time there was no question but that such improvements were self-sustaining. If revenues, after deduction of repair and maintenance costs, were sufficient to pay interest and amortization charges, the bonds, on petition of the city, could be exempted from the debt limit by the Appellate Division of the Supreme Court. In the course of the next few years (1910-18), an additional borrowing capacity of \$120,000,000 was thus created. Assessments were again revised upwards in 1911, and the city proceeded with its transit, water supply, and other improvement programmes. The relief, however, was no more permanent than before. The subways failed to be self-supporting. Out of a total of \$300,000,000 of transit bonds, the Appellate Division exempted approximately \$50,000,000 from the debt limit. The remainder

See Appendix, p. 339.

came to be and has remained a "frozen credit" of the city. New schools now became a pressing need. By 1914 there was much overcrowding. Then came the War.

CALCULATION OF THE ANNUAL DEBT-INCURRING POWER

Constitutional amendments and charter provisions fix the debt limit, and therefore determine the extent of the city's annual debt incurring capacity. What amount the city may legally borrow at a particular time is arithmetically a simple problem in addition and subtraction. It is a problem, nevertheless, which presents many mysteries to the layman. The determination of the amounts to be subtracted and added is made by the Comptroller, who acts in accordance with complex constitutional and charter provisions. These, however, have been definitely clarified by the courts by the decision rendered by them in the case of *Levy vs. McClellan*, in 1909, so that today there is no longer any controversy over the question as to which amounts should be included in the computation of the indebtedness and which should not, and what the amount of the debt margin really is.

The computations are made January 1 each year, and again after March 1, when the new tax values become available. The basis of the calculation is, of course, ten per cent. of the assessed valuation of taxable real estate (*i.e.*, tax exempt real estate is excluded). This is the upper limit for non-exempt debt. The *gross funded debt* of the city is then set down, and from it certain deductions are made: (1) indebtedness exempt from the debt limit (county bonds, water bonds, etc.); (2) the sinking fund holdings, and (3) amortization appropriations in the budget. To the resulting figure must be added, the non-funded contract and land liabilities and open market orders. The sum is the total *indebtedness within the debt limit*, and if this is subtracted from the total debt-incurring power of the city within the debt limit, (*i.e.*, ten per cent. of the assessed valuation of taxable real estate) the difference is the *constitutional debt-incurring power* of the city within the debt limit as of a particular date. The Comptroller indicates how much of this margin is reserved or unreserved. The method of calculation is shown in Table VIII.

TABLE VIII

CALCULATION OF NEW YORK CITY'S CONSTITUTIONAL BORROWING POWER AS OF MARCH, 1, 1927¹

I. Total Debt-Incurring Power, ten per cent. of the assessed valuation of taxable real estate, 1926	\$1,453,983,820
II. Gross Funded Debt, March 1, 1927	2,243,687,894
EXEMPT FROM DEBT LIMIT	
III. County Bonds	\$2,142,114
IV. Water Bonds and Corporate Stock Notes	271,676,632
V. Rapid Transit Bonds	51,013,725
VI. Dock Bonds	69,943,053
Total Exempt Debt	\$394,775,524
DEDUCTIONS	
VII. Sinking Fund holdings for non-exempt debt	\$883,176,537
VIII. 1927 Budget appropriation for amortization	nil ²
IX. 1927 Budget appropriation for direct redemption	13,728,250
Total deductions	\$1,022,430,084
OTHER THAN FUNDED DEBTS TO BE ADDED	
X. Land Liability	\$46,718,526
XI. Contract Liability	111,606,183
XII. Less Cash Available therefor	1,473,798
Total Net Additions	\$156,950,911
XIII. TOTAL INDEBTEDNESS WITHIN DEBT LIMIT	\$1,179,380,995
XIV. CONSTITUTIONAL DEBT-INCURRING POWER, as of March 1, 1927	\$274,602,825

The debt margin, of course, fluctuates from year to year. An increase in assessed valuations increases the margin. On the other hand, the inauguration of new public improvements decreases the margin. An increase is effected when the city pays required sums to the sinking fund or redeems bonds directly from taxation. If such bonds which are redeemed are in the sinking funds, the debt margin is unaffected, since the sinking fund holdings are deductible.

THE WAR AND THE INTRODUCTION OF THE "PAY-AS-YOU-GO" POLICY

The outbreak of war in Europe, the temporary closing of the Stock Exchange, and generally unsettled banking conditions

¹ The complete statement as given by the Comptroller is reproduced in the Appendix, see p. 342.

² By March 1 these amounting to \$11,350,000 had already been turned over to the sinking funds.

here and abroad left the city unable to borrow for temporary needs or for permanent improvements. The city's bonds had hitherto been sold extensively in foreign markets. These were now closed. An appeal had to be made to the banking institutions of the city. A syndicate was formed to loan the city \$100,000,000 for three years at 6 per cent. In granting this loan, the syndicate stipulated that the city change its policies of financing permanent improvements. The city was required to cease borrowing for permanent improvements that were not self-supporting. This change of policy was to be completed within three years. In 1915, one-fourth of the cost of improvements was to be financed by the issue of Tax Notes, redeemable in the budget of the succeeding year; the remaining three-fourths were to be in the form of Serial Bonds redeemable in one to fifteen years. In 1916, the cost of improvements was to be equally divided between these two methods of financing. In 1917, Tax Notes were to be used to the extent of three-fourths. Beginning with 1918, all costs of non-revenue producing improvements were to be met by Tax Notes.¹

Thus the "pay-as-you-go" policy was accepted by New York City. The policy was imposed by the syndicate of bankers. The financial stringency of the first months of the War furnished the opportunity. The change, however, had been agitated for some time, and there were some general arguments in its favor. One school of thought in public finance has maintained that permanent improvements should be financed directly from taxation and that, long-term borrowing is unwise and uneconomical. This school triumphed when the "pay-as-you-go" policy was enacted in the City Charter. The policy, however, was never carried fully into effect, and the scheme set up soon began to be whittled down.

¹ The Board of Estimate and Apportionment, by a resolution, placed itself on record as accepting this policy, and in 1916, the State Legislature incorporated the scheme in the City Charter (Section 169), Laws of 1916, c. 615. Before the plan would have gone into full effect, it was partially set aside by a special act permitting the issuance of fifteen millions of Corporate Stock annually until one year after the war, subject to various limitations as to terms (Laws of 1918, c. 658). In 1923 there was a temporary suspension to the extent of ten million dollars for improvements during that year (Laws of 1923, c. 754).

The Collapse of the "Pay-as-you-go" Policy

The terms imposed by the banking syndicate were too drastic. A complete shift within three years from long-term bonds to Tax Notes would have imposed too heavy a burden upon the taxpayers of the city. Expenditures for permanent improvements could not be added to the annual budget so quickly. The change should have been spread over a longer period. The city practically suspended further improvements. This appears from Table IX. In 1915-16 new authorizations financed by Tax Notes amounted to only a few hundred thousand dollars. The maximum between 1917 and 1920 was \$4,500,000. Bonds of classes not exempt from the constitutional limitation to the annual amount of \$50,000,000 were issued in 1915, 1916 and 1917, almost entirely from authorizations made prior to the adoption of the "pay-as-you-go" policy. The total annual new authorizations for such non-exempt improvements dropped from more than \$50,000,000 to less than \$5,000,000.

The result was that in 1920 further postponement of improvements could no longer be tolerated. Crowding in the schools had become extremely serious, and there was a widespread demand for the construction of new buildings. The city therefore appealed to the Legislature for a relaxation of the "pay-as-you-go" law, and asked that bonds for school construction be excepted from the Charter provision. The request was granted.¹ A school construction programme was proceeded with at a cost in the next few years of \$170,000,000. The door, having been unlocked, was now opened. Six millions for the erection of a Municipal Building in Brooklyn were exempted, and there followed similar exemptions for the American Museum of Natural History (1921); the Metropolitan Museum of Art (1922); a central library in Brooklyn; the Brooklyn Museum of Arts and Sciences (1922); the city-owned hospitals; and ten millions for street improvements (1923); and garbage and rubbish disposal plants and dumps (1924).² There were also some liberal interpretations of the phrase

¹ Laws of 1920, c. 960.

² Laws of 1920, c. 589; Laws of 1921, c. 618; Laws of 1922, c. 517; Laws of 1923, c. 174; Laws of 1924, c. 135.

TABLE IX

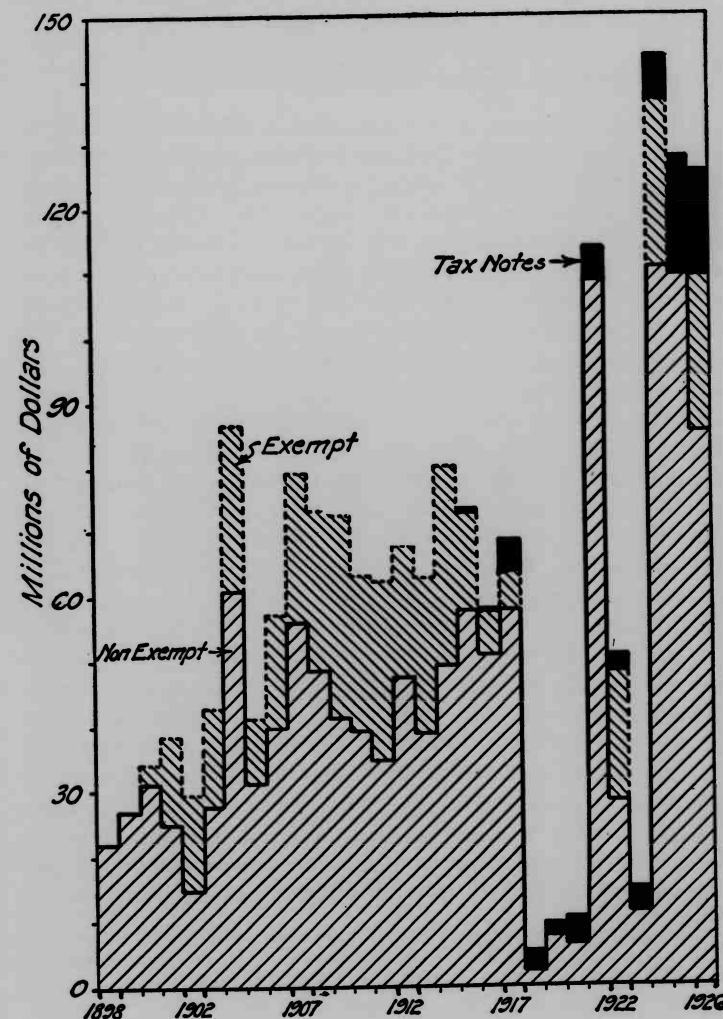
ANNUAL BORROWINGS AND ISSUES OF TAX NOTES ON ACCOUNT
OF EXPENDITURES FOR PERMANENT IMPROVEMENTS
(In thousands of dollars)

YEAR ENDING DECEMBER 31	BONDS ISSUED DURING THE YEAR (EXCLUSIVE OF GENERAL FUND BONDS, REVENUE BONDS, SPECIAL REVENUE BONDS, AND CORPORATE STOCK NOTES)			TAX NOTES ISSUED DURING YEAR	TOTAL LONG- TERM BONDS AND ONE YEAR TAX NOTES ISSUED DURING THE YEAR
	Non-exempt	Exempt	Total		
(1)	(2)	(3)	(4)	(5)	(6)
1898	\$21,985	....	\$21,985	....	....
1899	27,137	....	27,137	....	....
1900	31,198	\$ 2,547	33,745	....	....
1901	24,920	13,451	38,371	....	....
1902	14,751	14,850	29,601	....	....
1903	27,356	15,666	43,022	....	....
1904	61,092	25,733	86,825	....	....
1905	31,220	9,990	41,210	....	....
1906	39,828	17,224	57,052	....	....
1907	55,843	23,257	79,100	....	....
1908	48,687	24,653	73,340	....	....
1909	41,342	31,224	72,566	....	....
1910	39,303	23,719	63,022	....	....
1911	34,350	27,939	62,289	....	....
1912	47,521	20,880	68,401	....	....
1913	38,760	24,213	62,973	....	....
1914	59,239	21,455	80,694	....	....
1915	55,360	15,300	73,059	\$ 361	\$73,420
1916	50,745	6,650	57,395	538	57,933
1917	58,013	6,000	64,013	4,600	68,613
1918	2,327	....	2,327	3,000	5,327
1919	7,710	....	7,710	2,050	9,760
1920	6,324	....	6,324	4,250	10,574
1921	108,618	....	108,618	5,000	113,618
1922	28,264	20,000	48,264	3,100	51,364
1923	11,000	....	11,000	3,700	14,700
1924	110,372	26,135	136,507	7,000	143,507
1925	109,233	....	109,233	31,613	127,733
1926	85,218	23,870	109,088	16,500	125,588

NOTE: The figures in column 3 are taken from the Comptroller's Statement on the Debt Incurring Power; those in column 4 are taken for the years 1898-1910 from Comptroller Prendergast's *The Business of New York City, How the City Gets Its Money and How it Spends It*, October 10, 1911, p. 25; those for the later years in the same column from the Annual Reports of the Comptroller, 1910-1926; those in column 5 from the Comptroller's Statement on the Debt Incurring Power. The figures in column 2 are obtained by deducting those in column 3 from those in column 4.

CHART VI

ANNUAL LONG-TERM BORROWINGS AND TAX NOTE ISSUES



"revenue-producing" as used in the "pay-as-you-go" section of the Charter. The result was that by 1924 little remained of the "pay-as-you-go" policy. Chart VI shows how small a role Tax Notes have played in the financial operations of the city.

ANNUAL APPROPRIATIONS FOR DEBT SERVICE

The aggregate cost of maintaining the city's funded debt in 1926 was \$91,554,789. This sum was almost equal to the \$92,570,479 expended for permanent improvements in the same year from the proceeds of long-term bonds.¹ The annual "aggregate cost" of the city's debt is met by appropriations and by the special revenues that the sinking funds may have. Water rates go into the Water Sinking Fund and subway rentals (in part) into the Rapid Transit Sinking Fund. These two items in 1926 amounted to \$3,638,808 — four per cent. of the total debt service cost of \$91,554,789.

Debt service charges, it is hardly necessary to explain, consist of the interest which must be paid to the holders of the city's securities and the amortization charges which are necessary to provide for the retirement of the debt. Amortization payments are a matter of actuarial calculation and vary with the terms of the bond issues. Thus for a fifty-year bond issue (supported by a sinking fund invested in 4% securities) .56 per cent. of the total amount of the issue must be paid annually; if the term is twenty-five years 2 per cent. must be provided. Serial bonds, as has been said above, are directly redeemed. The amounts necessary in both cases for interest and amortization or direct redemption are provided in the Tax Budget.² The fact that all of New York City's sinking funds, with the exception of a small block of Liberty Bonds, are invested in the city's own securities is sometimes confusing. It should not be. A check or warrant is drawn on the interest appropriation in the Tax Budget accounts to pay the amount due from the city for interest on Corporate Stock or

¹This figure is obtained by deducting from the total of \$146,436,043 shown in the table on p. 3 of the *Comptroller's Report for 1926* the \$53,865,564 financed from Tax Notes or assessment funds. The table is reproduced above, p. 212

²See below.

TABLE X, ANNUAL APPROPRIATIONS FOR DEBT SERVICE, 1910-1927
Figures Furnished by the Bureau of Accountancy, Department of Finance

Year	Long-Term Debt				Temporary Debt				Total Debt Service Appropriations	
	Interest	Amortization	Direct Redemption		Total	Interest ¹	Redemption of			
			Corporate Stock	Serial Bonds			Special Revenue Bonds	Tax Notes ²		
1910	\$27,178,760	\$7,160,615	\$1,604,320	....	\$35,943,695	\$5,000,000	\$5,500,000	....	\$10,500,000	\$46,443,695
1911	29,714,137	7,788,739	1,324,820	....	38,827,696	4,500,000	7,334,125	....	11,834,125	50,661,821
1912	32,473,686	8,366,267	14,043,20	....	42,244,213	3,000,000	6,010,315	....	9,010,315	51,254,528
1913	35,433,877	8,725,597	1,070,842	....	45,230,316	3,000,000	6,727,065	....	9,727,065	54,977,381
1914	35,245,836	7,451,779	1,391,077	....	44,088,692	2,500,000	6,022,825	....	8,522,825	52,611,517
1915	39,411,904	7,400,000	1,083,477	....	47,895,381	3,000,000	8,920,000	....	11,920,000	59,815,381
1916	38,152,508	8,200,000	1,838,955	\$1,666,760	49,858,223	3,868,427	9,125,000	\$361,560	13,354,987	63,213,210
1917	39,364,806	8,700,000	4,555,587	2,666,660	55,287,053	3,919,445	10,000,000	538,070	19,744,568	69,744,568
1918	44,158,405	9,250,000	1,810,780	3,166,660	58,385,845	3,504,615	10,000,000	4,600,000	18,104,615	76,490,460
1919	44,984,998	9,225,000	2,265,280	3,166,660	59,641,938	3,965,000	11,325,000	3,000,000	18,390,000	77,931,938
1920	45,544,493	9,225,000	2,387,885	3,166,660	60,304,038	4,207,500	8,000,000	2,050,000	14,257,500	74,561,538
1921	47,685,649	9,225,000	1,994,385	3,317,660	62,412,694	5,515,832	31,000,000	4,250,000	40,765,826	103,178,526
1922	49,127,644	9,300,000	2,875,395	3,317,660	64,620,699	7,185,559	27,100,000	5,000,000	39,285,559	103,906,258
1923	46,965,471	7,100,000	2,469,915	6,813,210	66,348,596	5,337,045	10,750,000	2,500,000	24,935,641	91,268,328
1924	52,262,065	8,250,000	1,960,335	7,964,213	70,436,613	4,881,715	12,250,000	3,700,000	20,831,715	91,268,328
1925	55,713,826	8,250,000	1,522,324	13,851,118	79,337,268	3,909,953	13,250,000	7,000,000	24,159,921	103,497,221
1926	60,027,186	9,150,000	1,570,245	17,168,550	87,915,981	3,864,873	17,750,000	18,500,000	40,104,873	128,020,854
1927	66,860,397	11,350,000	2,501,964	17,044,193	97,756,554	4,100,000	19,000,000	16,500,000	39,600,000	137,356,554
Grand Total	\$793,525,648	\$154,117,937	\$35,601,906	\$83,310,004	\$1,066,555,495	\$75,249,964	\$220,064,330	\$67,999,630	\$363,313,924	\$1,429,869,419

¹ This includes the interest on the Revenue Bills which are redeemed from the previous years tax collections.

² Figures obtained from *Debt Statement*, p. 20.

Serial Bonds held by the sinking fund, in the same manner as if the corporate stock or serial bonds were held by the public.

The city budget also includes under the heading of Debt Service the appropriations necessary for the interest on and redemption of temporary borrowings. As has been pointed out, this is merely a way of meeting one year's expenses in the next year's budget. The added interest cost is \$4,000,000.¹ Table X shows the nature of the debt service costs and their growth since 1910. It does not reveal the full cost of the city's borrowings since, as has been explained, the sinking funds have revenues from sources other than taxation.

AMORTIZATION AND DIRECT REDEMPTION OF BONDS

What has been said discloses frequent attempts to increase the borrowing capacity of the city. Increases have come by amendments exempting certain obligations from the constitutional debt limit of ten per cent. Increases have also come through frequent revisions in assessed valuations.² There is also available a third method which, while it does not make possible a larger outstanding debt at any given moment, does make it possible to borrow a larger aggregate amount in a given period of time, at the cost of increasing current revenues by the same amount. Moreover these increased current revenues may be obtained by increasing the tax rate on property without involving danger from the 2 per cent. tax limit, for debt service falls outside this limit. This third method consists of shortening the term of new bonds issued and/or of redeeming before maturity, or merely through the accumulation of larger resources in the sinking funds. As was pointed out above, when payments are made into the sinking funds, the city's debt-incurring capacity correspondingly increases.

A simple illustration may make this point clearer. Suppose that the city issues \$1,000,000 in 4%, fifty-year bonds. Amorti-

¹ See Chapter II, p. 64.

² Assessed valuations in the counties of New York City bear a higher ratio to true values than in any other part of the state. One reason is that the higher the valuations the higher the debt limit.

zation charges would amount to approximately \$6,550 per annum.¹ Under such circumstances, therefore, the borrowing capacity of the city would increase annually in proportion to these amortization payments, and the interest which they accumulate. If, on the other hand, the bonds had been issued for twenty-five years, the payments would be \$22,439, or four times greater. The restoration of borrowing power is thus four times as rapid. It follows, therefore, that the shorter the term of the bonds, the greater the extent to which the city can expand its borrowing capacity, subject to its ability to meet the larger annual amortization payments which short-term bonds require. These larger annual payments mean larger annual increases in borrowing capacity, at a cost, however, of increases in current revenues of the same amounts. It should be noted also that bonds for 25 years could be issued, retired and reissued during the fifty-year period. Chart VII shows this graphically.

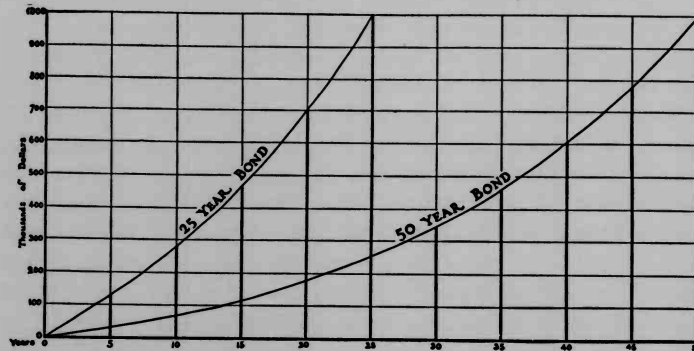
During the last twenty-five years the debt has been increased from \$341,000,000 to \$1,600,000,000, but the annual revenues of the sinking funds have remained practically constant. In 1898, for example, they were \$11,000,000. In 1925 they were \$15,000,000. In some of the intervening years they fell as low as nine or ten million, and in no case have they exceeded \$17,000,000. The explanation for this is to be found both in the terms of the bonds which the city issued during this period, and in the altered method of managing the sinking funds. Prior to consolidation the terms of bond issues were invariably short, and rarely exceeded thirty years. Only a few park issues and some of the Tweed obligations ran for forty years. As a matter of fact, bonds during this period were virtually retired before they were actually due. As has been explained, the sinking funds of this period were fed from miscellaneous revenues which accumulated faster than the terms of the bonds required so that the bonds were retired within twenty or twenty-five years.

The Charter of 1898 permitted the issue of bonds for fifty-

¹ This figure and all those used in connection with Chart VII were calculated from actuarial tables given in U. S. Department of Agriculture Bulletin 136, *Highway Bonds*.

CHART VII

COMPARATIVE AMORTIZATION OF A 25- AND A 50-YEAR BOND ISSUE



To liquidate the principal of \$1,000,000 at a maturity of 25 years would require annual payments to the sinking fund of \$24,012 invested in 4% bonds; at a maturity of 50 years annual payments of \$6,550 similarly invested would be required. The Chart indicates that though the 25-year plan requires payments four times as large, the amount in the sinking fund at any time prior to maturity is four times greater. This is the amount that would be restored to the city's debt-incurring capacity. There is also a great saving in interest. The gross interest payments on a \$1,000,000 issue at 4% during 50 years would amount to \$2,000,000; during 25 years to only \$1,000,000. The gross sinking fund charges amount to \$327,500 under the 50-year plan and \$600,300 under the 25-year plan. This means a net advantage of \$727,200 (almost 75% of the issue) in favor of the 25-year maturity.

year terms. The city at once took advantage of this and lengthened its future bond issues, first to forty, and since 1903, to fifty years. This is clearly seen in Table XII. It will be noticed that the issues still outstanding, which antedate consolidation, are mainly thirty-year bonds. The bonds from 1900 to 1902 are largely forty-year bonds. Since 1903, fifty-year bonds predominate.

As a result, at the close of the year 1926, more than 85 per cent. of the outstanding Corporate Stock, or 73 per cent. of the city's entire funded indebtedness, consisted of fifty-year bonds. This is shown in Chart VIII. It will be noted that the terms of the bonds were being lengthened to fifty years at the very time that the Charter was being amended to permit the transfer of

TABLE XI
TERMS OF CORPORATE STOCK (EXCLUSIVE OF ASSESSMENT BONDS) AND SERIAL BONDS OUTSTANDING ON DECEMBER 31, 1926¹
(In thousands of dollars)

TERMS OF BONDS (YEARS)	CORPORATE STOCK ISSUED (INCLUDING WATER STOCK BUT EXCLUDING ASSESSMENT BONDS)					SERIAL BONDS ISSUED (SINCE 1915) ²		TOTAL CORPORATE AND SERIAL BONDS	
	Prior to 1898	In 1898-1899	In 1900-1902	In 1903-1926 ³	Total Issues	Percentage Ratio of Total	Amount	Percentage Ratio of Total	Amount
(1)					(6)	(7)	(8)	(9)	(10)
3-5	...	...	...	\$ 5,943	\$ 5,943	0.5	\$12,682	5.8	\$18,625
10	...	...	...	5,610	5,610	0.5	22,177	10.2	27,787
15	...	...	...	4,547	4,547	0.4	47,856	22.1	52,403
20	...	...	...	972	972	0.1	60	...	1,032
25	...	...	...	16,896	16,896	1.3	1,428	0.6	18,324
30	...	...	...	21,174	66,387	5.3	...	...	66,387
40	\$ 6,005	\$34,826	\$ 4,382	15,069	81,233	6.5	129,510	59.5	210,743
50	9,823 ⁴	...	29,329	1,047,925	1,077,609	85.6	4,028	1.8	1,081,637
Total	\$16,273	\$34,826	\$89,962	\$1,118,136	\$1,259,197		\$217,741		\$1,476,938

¹ Compiled from the list of bond issues outstanding, *Comptroller's Annual Report, 1926*, pp. 334-49. The bonds of the several corporations consolidated with the city in 1898 are not included in this computation.

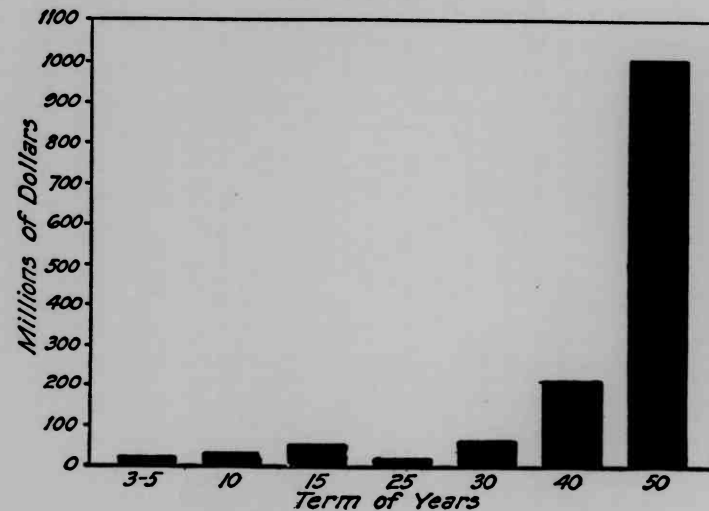
² Park bonds, term 20 to 40 years.

³ Term 30 to 50 years.

⁴ Of the amounts given in this column, the water stock is as follows: 10-year, \$3,000; 15-year, \$1,526; 20-year, \$495; 25-year, \$5,671; 30-year, \$8,968; 40-year, \$32,000; 50-year, \$255. All odd terms issues are grouped under the nearest class (for example, 8, 9, 11, and 12 year terms are grouped under 10 year term serial issues).

CHART VIII

OUTSTANDING INDEBTEDNESS ON APRIL 1, 1927, CLASSIFIED ACCORDING TO THE TERM OF THE BONDS



surpluses from Sinking Fund No. 1 to the General Fund.¹ The rapid increase of sinking fund accumulations was producing substantial additions to the debt margin of the city. In 1903, however, when these surpluses were released and the terms of the bonds were lengthened, the amortization payments were reduced. Since that time, the margin between gross debt and net debt has noticeably narrowed. Today a debt eight times the debt at consolidation is supported by sinking fund accumulations less than twice as large.²

The first result of these changes of policy was to keep the tax rate from increasing. If the city is content to increase its debt service appropriations by the amount necessary to feed the sinking funds, the device of shortening the terms of the bonds would solve the problem of the debt limit. By issuing fifty-year bonds, the city has frozen its credit so that its programme of permanent

¹ See above, p. 217.

² Table V.

improvements is seriously menaced. The city, for example, finds itself unable to expend \$30,000,000 for the Tri-borough Bridge.¹

Shorter terms for city bonds would make the borrowed moneys revolve more quickly. The same amount of constitutional debt incurring capacity would therefore permit the city to perform double the amount of work. The ultimate effect might be a reduction of the debt substantially below the debt limit, for the taxpayer would find amortization charges a greater burden. A margin in the city's borrowing power would give it greater leeway in the development of minor items in its programme of improvements.

¹ The Board of Estimate has recently decided (See Proceedings of the Board of Estimate, May 25, 1927) to attempt to work out the financing of the Tri-borough Bridge without using public credit through the creation of a Bridge Authority. Such an Authority would have power similar to that of the Port Authority to issue bonds to be paid from the tolls of the bridges. Inasmuch as most of the city's available credit is being earmarked for its subway programme, it is difficult to see how bridges or tunnels or other major improvements can be financed without some such device. Such a solution, however, will not affect the general situation which is here described.

CHAPTER VIII

SUBWAY FINANCE

The largest single item of the existing indebtedness of New York City is its subway debt, which amounted on May 1, 1927, to \$351,000,000 or a little over 21 per cent. of the city's gross outstanding funded debt. In view of the present importance of the problem of new subway construction and of the fact that work has already been progressing for a number of years on a building programme calling for an ultimate additional outlay by the city of \$674,536,000,¹ no study of the city's financial position would be complete without a survey of the present status of the subway debt and of the circumstances attending its creation.

I. EXISTING SUBWAY INDEBTEDNESS

The city has a direct investment in the existing subways amounting, as of June 30, 1926, to \$344,400,000² as compared with investments of \$166,824,000 by the Interborough Rapid Transit Company, and \$49,232,000 by the New York Rapid Transit Corporation.³ The latter figures do not include the investments of these companies other than on account of subway lines.

The sums invested by the city in subways are represented by issues of corporate stock, the earliest of which was made in 1900. Other issues from time to time have brought the total amount of corporate stock outstanding on account of subways to \$351,000,000 by May 1, 1927. The growth of this debt by annual increments is shown on Table No. 1 and Chart No. 1.

¹Board of Transportation, Communication to Board of Estimate, July 12, 1927, p. 21.

²Summary of Annual Report of Transit Commission for 1926, p. 31.

³*Ibid.*, p. 32.

TABLE I

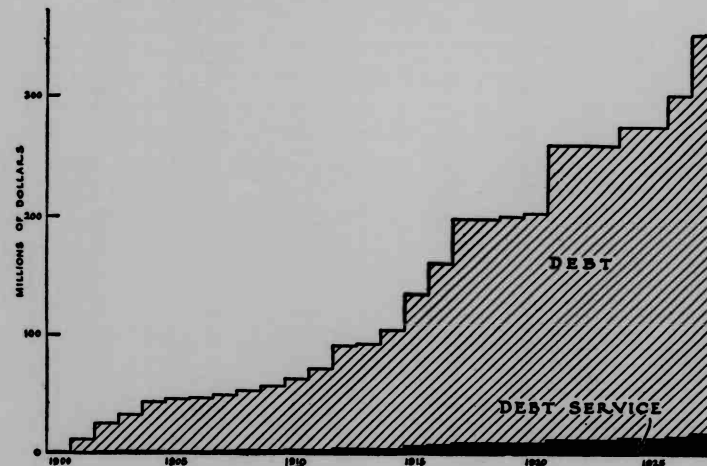
SUBWAY BONDS OUTSTANDING MARCH 1, 1927
Redeemable from the Sinking Fund of the City of New York

YEAR OF ISSUE	RATE	YEAR OF MATURITY	AMOUNT OF ISSUE	ANNUAL INTEREST	ANNUAL AMORTIZATION
1906.....	4	1936	\$ 500,000	\$ 20,000	\$10,509.63
1901.....	3½	1948	4,000,000	140,000	48,766.69
1900.....	3½	1949	1,000,000	35,000	11,698.11
1901.....	3½	1949	3,000,000	105,000	35,094.33
1901.....	3	1950	1,500,000	45,000	16,844.77
1901.....	3½	1950	2,500,000	87,500	28,074.62
1902.....	3½	1951	8,500,000	297,500	91,673.99
1903.....	3½	1952	1,166,000	37,895	12,082.72
1903.....	3½	1952	4,000,000	140,000	41,450.15
1903.....	3½	1952	6,000,000	210,000	62,175.23
1903.....	3½	1953	2,000,000	70,000	19,921.01
1904.....	3½	1953	3,000,000	105,000	29,881.52
1904.....	3½	1954	4,700,000	164,500	45,015.54
1904.....	3½	1954	2,250,000	78,750	21,547.98
1905.....	3½	1954	2,500,000	87,500	23,946.44
1906.....	3½	1955	250,000	8,750	2,308.28
1907.....	4	1956	36,000	1,440	331.67
1907.....	4	1957	1,500,000	60,000	13,298.24
1907.....	4½	1957	2,000,000	90,000	17,730.98
1908.....	4	1957	204,825	8,193	1,887.08
1908.....	4½	1957	2,500,000	112,500	23,032.85
1909.....	4	1958	632,500	25,300	5,988.54
1909.....	4	1958	750,000	30,000	6,909.85
1908.....	4	1958	750,000	30,000	6,649.12
1909.....	4	1959	3,200,000	128,000	28,369.60
			\$58,439,325	\$2,117,828	\$605,188.94

Redeemable from the Rapid Transit Sinking Fund

1910.....	4	1959	\$ 188,500	\$ 7,540	\$ 1,967.15
1910.....	4	1959	24,512	980	
1911.....	4	1960	10,000	400	92.13
1910.....	4½	1960	6,000,000	255,000	53,192.97
1911.....	4½	1960	8,500,000	361,250	78,311.68
1912.....	4½	1962	20,000,000	850,000	177,309.89
1913.....	4	1963	973,079	38,923	8,626.83
1914.....	4	1963	1,172,472	46,898	10,702.15
1914.....	4½	1964	10,000,000	425,000	88,654.95
1915.....	4½	1965	30,000,000	1,350,000	265,964.84
1916.....	4½	1966	27,130,000	1,153,025	240,520.87
1917.....	4½	1967	37,000,000	1,665,000	328,023.30
1917.....	4	1967	13,000	520	115.25
1919.....	4	1969	500,000	20,000	4,432.74
1919.....	4½	1969	1,000,000	45,000	8,865.49
1920.....	4½	1969	2,659,000	119,655	24,497.74
1921.....	4½	1971	55,000,000	2,337,500	487,602.23
1924.....	4½	1974	15,000,000	637,500	132,982.42
1926.....	4½	1976	28,000,000	1,190,000	248,233.84
1927.....	4½	1977	50,000,000	2,125,000	443,274.72
			\$293,170,563	\$12,629,191	\$2,603,371.19
Grand Total.....			\$351,609,888	\$14,747,019	\$3,208,560.13

CHART I
ACCUMULATION OF TRANSIT INDEBTEDNESS 1900-1927



With the exception of a small item of \$500,000 due in 1936, all of these issues of corporate stock have maturities of forty-nine or fifty years from the dates of issue. The interest rate varies from $3\frac{1}{4}$ per cent. and $3\frac{1}{2}$ per cent. on some of the earlier issues to $4\frac{1}{4}$ per cent. and $4\frac{1}{2}$ per cent. on some of the more recent ones. The total annual interest and sinking fund charges on this stock payable by the city in the year 1927 amounts to \$17,955,579. Of this annual charge, slightly over \$2,500,000 is chargeable to the cost of the so-called original subways, which were constructed by the city between 1900 and 1908, and were in operation prior to 1913. This annual charge is carried by the Interborough Rapid Transit Company, under the terms of the so-called Dual Contracts of 1913, thus placing no burden on the taxpayers. The balance, however, is a charge on the annual budget, and must be met out of general taxation. Thus the taxpayers are at present making an annual contribution of more than \$15,000,000 on account of interest and amortization of subway construction costs which must be raised out of the city's taxable sources of revenue.

A certain portion of the \$351,000,000 of outstanding rapid transit stock has been issued on account of the new subway system now under construction. It would be difficult, however, and not very helpful at this point to disentangle the first expenditures for the new system from the expenditures which are still being made for the completion of the existing system. In view of the fact that the city's contribution to the existing system has been estimated by the Transit Commission at \$344,300,000, as above stated, and in view of the fact that the entire amount of transit debt outstanding is only \$351,000,000, it is probably safe to say that almost the whole of the present transit indebtedness can be attributed to the existing subway system, and that the present annual burden on the taxpayers as above estimated represents the interest and sinking fund charges on the money invested by the city in the construction of subways under the so-called Dual Contracts of 1913.

The burden on the taxpayers under the Dual Contracts is due to the fact that under their terms payment of interest on the city's investment is postponed to certain preferred charges and payments to the companies, which the annual operating income from the subways available for making such payments has not been sufficient to cover, thus leaving no surplus for payment to the city of its interest and sinking fund charges. If the present situation continues, and the city fails to receive any of the revenue from subway operation under the Dual Contracts, the annual amount which will have to be paid out of general taxation for interest and sinking fund charges on account of existing subway indebtedness will be as shown in the accompanying table (Table II) for each year until the final extinction of the debt.

From the annual sums represented on the following table and graph, there should be deducted, in order to determine the amount to be raised by taxation, the rental of approximately \$2,500,000 received by the city from the Interborough Rapid Transit Company for its lease of the original subway. Against this deduction, however, there must be offset additional interest payments which can be expected to accrue in the future owing to the fact that the city has not yet completed its obligations

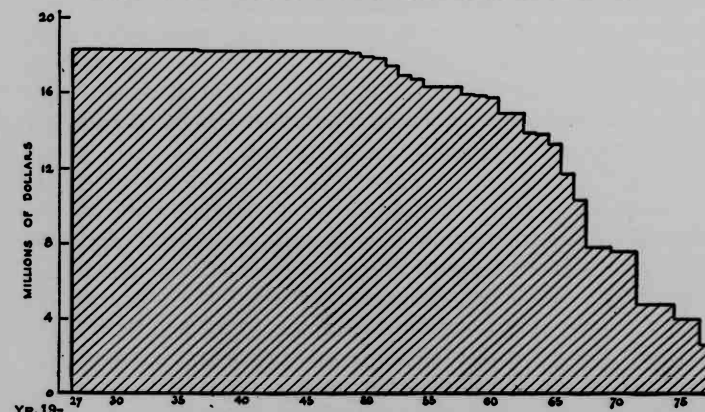
TABLE II

TRANSIT DEBT SERVICE OF NEW YORK CITY 1927-1977
On the Basis of Indebtedness Incurred to March 1st, 1927

YEAR	GROSS TRANSIT DEBT	INTEREST	AMORTIZATION
1927	\$351,609,890	14,747,019	3,209,159.13
1928	351,609,890	14,747,019	3,209,159.13
1929	351,609,890	14,747,019	3,209,159.13
1930	351,609,890	14,747,019	3,209,159.13
1931	351,609,890	14,747,019	3,209,159.13
1932	351,609,890	14,747,019	3,209,159.13
1933	351,609,890	14,747,019	3,209,159.13
1934	351,609,890	14,747,019	3,209,159.13
1935	351,609,890	14,747,019	3,209,159.13
1936	351,609,890	14,747,019	3,209,159.13
1937	351,109,890	14,727,019	3,198,649.50
1938	351,109,890	14,727,019	3,198,649.50
1939	351,109,890	14,727,019	3,198,649.50
1940	351,109,890	14,727,019	3,198,649.50
1941	351,109,890	14,727,019	3,198,649.50
1942	351,109,890	14,727,019	3,198,649.50
1943	351,109,890	14,727,019	3,198,649.50
1944	351,109,890	14,727,019	3,198,649.50
1945	351,109,890	14,727,019	3,198,649.50
1946	351,109,890	14,727,019	3,198,649.50
1947	351,109,890	14,727,019	3,198,649.50
1948	351,109,890	14,727,019	3,198,649.50
1949	347,109,890	14,587,019	3,149,882.81
1950	343,109,890	14,447,019	3,103,090.37
1951	339,109,890	14,314,519	3,058,170.98
1952	330,609,890	14,017,019	2,966,496.99
1953	319,443,890	13,629,124	2,850,788.89
1954	314,443,890	13,454,124	2,800,986.36
1955	304,993,890	13,123,374	2,710,476.40
1956	304,743,890	13,114,624	2,707,168.12
1957	304,707,890	13,113,184	2,707,836.45
1958	298,503,065	12,842,491	2,651,287.30
1959	296,370,565	12,757,191	2,631,739.79
1960	292,957,553	12,620,671	2,601,403.04
1961	278,447,553	12,004,021	2,469,806.26
1962	278,447,553	12,004,021	2,469,806.26
1963	258,447,553	11,154,021	2,292,496.37
1964	256,302,000	11,068,200	2,273,167.39
1965	246,302,000	10,643,200	2,184,512.44
1966	216,302,000	9,293,200	1,918,547.60
1967	189,172,000	8,140,175	1,678,026.73
1968	152,159,000	6,474,655	1,349,888.18
1969	152,159,000	6,474,655	1,349,888.18
1970	148,000,000	6,290,000	1,312,092.21
1971	148,000,000	6,290,000	1,312,092.21
1972	93,000,000	3,952,500	824,490.98
1973	93,000,000	3,952,500	824,490.98
1974	93,000,000	3,952,500	824,490.98
1975	78,000,000	3,315,000	691,508.56
1976	78,000,000	3,315,000	691,508.56
1977	50,000,000	2,125,000	443,274.72

CHART II

FUTURE DEBT SERVICE REQUIRED FOR EXISTING (192) DEBT.



under the Dual Contracts. Some construction work remains to be done, and in addition there are pending certain claims against the city by the operating companies for damages due to alleged breaches of contract by the city. One of these claims, which is the subject of pending litigation, amounts to \$30,000,000. It is thus impossible at the present time to estimate accurately the additional sums which the city will have to invest in the existing subway system to complete its contract obligations. These further investments may well increase the annual payments shown on the foregoing table by two million dollars annually.

Whether or not these sums will continue to be a charge on the city's revenue from taxation can only be considered in the light of the terms of the so-called Dual Contracts and a knowledge of their financial results to date.

II. THE DUAL CONTRACTS

The existing subways are operated under two contracts, one between the city and the Interborough Rapid Transit Company, the other between the city and the New York Municipal Railway Corporation, the predecessor in interest of the New York Rapid Transit Corporation. The two latter corporations are operating subsidiaries of the former Brooklyn Rapid Transit Company and

its present successor, the Brooklyn-Manhattan Transit Company, respectively. Both contracts were signed March 19, 1913, as part of a single programme, and hence are commonly referred to as the Dual Contracts. Neither the city nor the companies have been satisfied with the operation of these contracts, and there have been irritation, recrimination, and unsuccessful negotiations lasting over a period of more than ten years.

History

The Dual Contracts grew out of a situation quite similar to that which will exist when the new subways now under construction are completed. Between 1907 and 1912 the city had at great expense built certain lines and was engaged in building others, for the operation of which no arrangements had been made, and which it became imperative to place in service as soon as possible. The Dual Contracts were the result. In order to understand their terms it is desirable to review briefly the earlier history of subway construction and operation in New York.

The so-called "original subways," consisting of the present West Side line above 42d Street, including the Lenox Avenue branch, the 42d Street shuttle from Times Square to Grand Central Station, and the present East Side line below 42d Street, including the line from the City Hall under the East River into Brooklyn as far as Atlantic and Flatbush Avenues, were constructed under two contracts made in 1900 and 1902 with the predecessor in interest of the present Interborough Rapid Transit Company, and known as Contracts Nos. 1, and 2, respectively. The main portion of the Manhattan line was completed and put in operation in the autumn of 1904. The Brooklyn line was opened to South Ferry in 1905, but because of difficulties in tunnelling under the East River did not reach Borough Hall, Brooklyn, until January, 1908.

The theory of the contracts under which these lines were built was adopted when it had been found impossible, after a number of years of effort, to induce private capital to construct the lines in return for an ordinary franchise. The contracts accordingly provided that the city should pay the cost of construction, and in

return should have title to the completed subways. The operating company was to supply the equipment in return for a long-term lease — fifty years in the case of the Manhattan line, thirty-five years in the case of the Brooklyn line, with the privilege of renewals in both cases for an additional period of twenty-five years, and without any right of recapture by the city. The company was to pay as annual rental to the city for the use of the subways a sum sufficient to cover the interest and sinking fund charges on the amount borrowed by the city for construction costs, retaining the entire net operating income as profits.

Hardly was the Manhattan line in operation before the need for further subways became apparent. The situation was very similar to that of the past few years — an existing system unable to meet the city's traffic demands and a need for financing a new system which would in some way be coördinated and coöperate with the old. This condition continued from 1906 to 1912.

At the beginning of this period, because of the large profits shown by the Interborough in its first years of operation, and because of public disapproval of certain aspects of its financing policy, there arose a strong demand for direct municipal operation of any new subways that might be built. There was also dissatisfaction with the long term of the Interborough leases and with the absence of any clause permitting recapture of the properties by the city. The Rapid Transit Law under which the subways had been built and leased was therefore altered by the so-called *Elsberg Amendments*,¹ which on the one hand made it possible for the city to engage in direct municipal operation of subways, and on the other hand restricted any future lease of the subways for operation by a private concern to an initial term of twenty years with a twenty-year renewal period.

Immediately after this change in the law, the direction of the city's subway policy was transferred from municipal control to the newly created State Public Service Commission for the First District. This body, finding itself unable to secure bids for the combined construction and operation of new lines by private capital under the *Elsberg Amendments*, began direct construction

¹ Laws of 1906, c. 472.

with money borrowed by the city, as the present administration is doing, without waiting to make arrangements for their operation when completed. The planning of the lines was entirely the work of the public authorities. They adopted an ambitious project for a general system of new subways known as the "Triborough system," presumably for independent municipal operation, and began the immediate construction of three links of this system — first, a line under Fourth Avenue in Brooklyn; second, a series of short lines in Manhattan and Brooklyn designed to link up the bridge-heads of the Manhattan, Brooklyn and Williamsburg Bridges, and to form what was called a Manhattan-Brooklyn Loop system; and third, a new trunkline in Manhattan under upper Lexington Avenue, which was meant to continue southward under 35th Street, Fifth Avenue and Broadway to the City Hall, where it was to connect with Brooklyn by means of the "loop" lines. Work was commenced in 1907 on the Brooklyn-4th Avenue line, and on the Manhattan portion of the "loop" lines, and in 1911 on the Lexington Avenue line. Before the latter date negotiations had already begun for the possible operation of the new lines when completed by either the Interborough or the Brooklyn Rapid Transit Company, or of different portions of the system by both companies. These negotiations were protracted from year to year, while the city went on putting money into the new subways. By December 31, 1912 the city had already expended \$32,159,000¹ on the new lines and no contract had yet been made for their operation. It was at this point that the Dual Contracts were signed.

The Dual Contracts provided for the completion of a new system of subways into which the sections already built or under construction would fit as links. Influential opinion favored the participation by both the Interborough and the B. R. T. in the operation of the new lines. "Members of the Public Service Commission believed that the plan for dual operation was far superior to operation by a single company."² Accordingly, contracts were made with the Interborough covering a part of the

¹ Report, Public Service Commission for 1912, I, 850-880.

² *Ibid.*, pp. 82, 84.

new lines and with the B. R. T. for the remainder. These are the so-called Dual Contracts which were dated March 19, 1913.

Routes Constructed

The contract with the Interborough, known as Contract No. 3, provided for the completion of the upper Lexington Avenue line in Manhattan, which would be linked with the Interborough's lower East Side line. A new line was to be built on the lower West Side from Times Square southward to the Battery, with a branch line to Brooklyn, via Old Slip and a tunnel under the East River, to connect with the existing Brooklyn subway at a point near Fulton and Joralemon Streets. The existing Brooklyn subway, which had been built under the contract of 1902 and was already in operation by the Interborough, was to be extended from Atlantic and Flatbush Avenues to Eastern Parkway and Buffalo Avenues, forking at that point into two branches, one to terminate at Nostrand and Flatbush Avenues, the other at Livonia and New Lots Avenues. A new line was to be built under 42d Street, Manhattan, from Broadway to the East River, continuing through the so-called Steinway Tunnel under the East River to the Borough of Queens, and dividing at Queensborough Plaza into two branches, one to Astoria and another to Corona. Finally, a branch extension was to be constructed from a junction with the Lenox Avenue division of the existing upper West Side line at 178th Street to White Plains Road and 241st Street. Several of the extensions in outlying districts were to be elevated lines. All the new lines provided for under Contract No. 3 have finally been completed, some of them after great delay.

The contract with the Brooklyn Rapid Transit interests known as Contract No. 4, was made with a subsidiary company called the New York Municipal Railway Corporation. It provided for the taking over of the Brooklyn-4th Avenue line already constructed by the city, with certain extensions in Brooklyn, and for the extension of this line from its northern Brooklyn terminus under the East River by way of the so-called Montague Street tunnel to Whitehall Street, Manhattan, and thence in Manhattan under Church Street, Trinity Place and Vesey Street to

Broadway, continuing northward under Broadway and 7th Avenue to 59th Street and thence eastward under 59th and 60th Streets via the Queensborough Bridge to Queensborough Plaza, where a junction was to be effected with the new Steinway Tunnel line to be built by the Interborough under Contract No. 3. An additional connection between the Brooklyn and Manhattan portions of this trunkline was to be constructed, leaving the main Brooklyn line at Willoughby Street and Flatbush Avenue Extension, crossing the East River via the Manhattan Bridge, and continuing under Canal Street, Manhattan, to rejoin the Montague Street tunnel line in Manhattan at Broadway and Canal Street. These two routes between Manhattan and Brooklyn were to be linked together in Manhattan by the so-called Nassau-Broad Street subway, leaving the Montague Street tunnel line at Whitehall Street and the East River and running north under Broad and Nassau Streets to the Municipal Building. Here it was to join the so-called Centre Street subway, already built by the city, which continued northward from the Municipal Building under Centre and Delancey Streets, to the Manhattan end of the Williamsburg Bridge, crossing and connecting with the new Manhattan Bridge line from Brooklyn at Canal Street. In addition to this trunk-line system there was to be constructed in Brooklyn the so-called Culver line from a point on the Brooklyn, 4th Avenue line near 38th Street to Coney Island. Finally, another connection between Brooklyn and Manhattan was to be effected farther uptown by the construction of the so-called 14th Street-Eastern line from 14th Street and 6th Avenue in Manhattan eastward under 14th Street and the East River to Brooklyn and thence under Bushwick Avenue and other streets to a point of connection with existing elevated lines in Broadway, Brooklyn. As in the case of Contract No. 3 a number of the extensions provided in outlying districts were to be elevated lines.

There was long delay in the construction of some of the lines under Contract No. 4. In particular, disputes arose over the completion of the eastern portions of the 14th Street Eastern line in Brooklyn. This line was opened from its western terminus at 6th Avenue and 14th Street in Manhattan to Montrose Street

and Bushwick Avenue, Brooklyn, on July 1, 1924, more than eleven years after the date of the contract. Construction on the eastern sections of the line is still in progress.

Work has not been commenced on the so-called Nassau-Broad Street line to link the Municipal Building with the East River tunnel of the B. M. T. It is on account of failure by the city to construct this line as well as for other alleged breaches of obligation under Contract No. 4 that the B. M. T. has brought a suit against the city for \$30,000,000 damages, which is now pending.

Investment by City and Companies

The terms of the Dual Contracts secured to the city what were regarded at the time as two outstanding advantages: first, the contracts gave the city the right to recapture the new lines at any time after ten years from the commencement of operation at a valuation defined in the contracts;¹ secondly, the companies agreed to furnish a part of the funds required for constructing the new lines. The chief disadvantage to the city lay in the fact that while it was obliged to defray a far larger proportion of the construction costs than the companies, the financial clauses of the contract postponed the payment of interest and sinking fund charges on the city's outlays to such heavy cumulative preferred payments to the companies that the city has never received a dollar on its expenditures under the contracts.

Contract No. 3 called for a required contribution of \$58,000,000 by the Interborough to the cost of constructing the new lines to be operated by it. The New York Municipal Railway Corporation was to contribute approximately \$14,000,000 toward construction of the lines to be built under Contract No. 4. In addition, the companies were to supply the equipment needed for the operation of the new lines; the balance of the construction costs was to be defrayed by the city. It was estimated at the time the contracts were made that, in the case of Contract No. 3, this balance would exactly equal the amount contributed by the company, namely, \$58,000,000; actually it had totalled \$110,250,000 up to June 30, 1926. Under Contract No. 4 as against

¹ The recapture provisions of the contracts will be dealt with later.

a contribution of \$14,210,000 by the company the city had paid out \$167,500,000 for construction up to the same date. Of course included in these contributions by the city are the amounts expended by it for lines constructed prior to the making of the contracts and embraced within their terms, namely, the Brooklyn-4th Avenue line, the Centre Street "loop" and the earlier sections of the Lexington Avenue line.

In comparing the investments of the city and the companies under Contracts No. 3 and No. 4 it must be noted that the contracts were tied together with certain so-called "related certificates" applying to the elevated lines already operated by the companies. The companies obligated themselves and were given permission by the certificates to extend certain of these elevated lines and to provide third tracks and other improvements on others. This involved an outlay of \$43,886,000 in the case of the Interborough on account of the elevated lines in Manhattan, and of \$40,570,000 in the case of the existing Brooklyn elevated lines. If these elevated improvements are included, the total investments of the companies under the Dual Contracts are as follows:¹

Interborough:

Construction, subways.....	\$58,038,000
Equipment, subways.....	61,786,000
Betterments, elevated lines.....	43,886,000

Total.....\$163,710,000

New York Rapid Transit Corporation:

Construction, new lines.....	\$14,210,000
Equipment, new lines.....	35,022,000
Betterments, elevated lines.....	40,570,000

\$ 89,802,000

There is an important difference in the way in which the two contracts deal with elevated lines. At the time Contract No. 4 was made, the Brooklyn Rapid Transit Company operated no existing subways but a large system of elevated lines in Brooklyn. The contract accordingly provided that the new subways of which

¹ Figures from Sixth Annual Report, Transit Commission (1926), pp. 70-71.

the B. R. T. was to be the lessee should form one system with these existing Brooklyn elevated lines. The revenues from both were to be pooled for the purpose of determining the company's financial obligations under the contract. On the other hand, the Interborough was operating the existing subways and elevated lines in Manhattan as separate and independent systems. In the case of the Interborough, this separation was allowed to continue, and there was no provision in the contract for pooling the revenues from the elevated and subway parts of the system. Only the revenues from the old and new subways were to be pooled. For the purpose of financial calculation therefore the elevated operations of the Interborough must be kept distinct from its subway operations, while in the case of the B. M. T. lines the two must be considered together.

Revenue to City and Companies

Contract No. 3 with the Interborough Company provided that the future revenue from the "original subways" then in operation should be pooled with that accruing from the new lines to be built and/or operated under the contract. From the total revenue thus obtained there were to be paid or withheld in the following order of priority: (1) The rentals due to the city for the original subways under the terms of Contracts Nos. 1 and 2 above referred to; (2) taxes; (3) operating expenses; (4) 12 per cent. of the total revenue for maintenance exclusive of depreciation; (5) a sum to be annually determined to be paid into a depreciation fund to cover such portions of the railroads as should not be repaired or replaced by the expenditures for maintenance; (6) an annual sum of \$6,335,000 to be retained by the lessee "as representing the average annual income" previously derived by the lessee from the operation of the original subways then existing; (7) interest at 6 per cent. to be paid to the lessee on the lessee's outlays under the contract toward the cost of constructing and equipping the new subways, the total of such contribution not to exceed \$80,000,000; (8) annual interest payable by the lessee on sums expended for any "additional" equipment, as defined by the contract which might be needed for operation,

plus 1 per cent. on these expenditures to build up a sinking fund. After these deductions the city was to become entitled to receive interest on its investment under the contract at the rate of 8.76 per cent., this being the percentage of return which the above mentioned payments to the company were agreed to represent on its total investment in the old and new subways. The investment of the company in the old subways was therefore fixed at approximately \$47,112,000. After these payments the city was to receive the interest upon any amount expended by it as the cost of "additions" or extensions under the contract, together with 1 per cent. annually as a sinking fund. Next, 1 per cent. of the total revenue was to be paid into a fund to cover possible deficits in operation until this fund amounted to 1 per cent. of the total cost of construction and equipment. If after these deductions were made any revenue remained, it was to be divided between the city and the lessee, share and share alike.

Contract No. 4 provided for substantially the same distribution of revenue. The income from the new subways was to be pooled with that from the existing Brooklyn elevated system, and from the total thus obtained annual payments were to be made in the following order of priority: (1) Rentals for the use of property in connection with both the existing and the new parts of the system; (2) taxes; (3) operating expenses; (4) 12 per cent. of the total revenue for maintenance exclusive of depreciation; (5) a sum to be annually determined for a depreciation fund for such portions of the railroads as should not be repaired or replaced by the expenditures for maintenance; (6) an annual sum of \$3,500,000 to be retained by the lessee "as representing the average annual income from the operation of the existing railroads"; (7) interest at 6 per cent. annually to be paid to the lessee on (a) its contribution toward the construction of the new lines; (b) the cost of the equipment furnished by the lessee for initial operation of the new lines; (c) the actual cost of the plant and property, extensions and additions to its existing elevated properties under the "related certificates"; (d) the cost of reconstructing certain of the existing lines as required by the contract; (8) annual interest payable by the lessee on sums expended for "additional"

equipment for the new lines, as defined by the contract, plus 1 per cent. on these expenditures as a sinking fund. After these deductions, the city was to become entitled to receive an amount sufficient to defray the annual interest payable upon its share of the cost of construction of the new lines plus one per cent. for a sinking fund. Next, the city was to receive the interest upon any amount expended by it as the cost of additions or extensions under the contract, plus one per cent. for a sinking fund. One per cent. of the total revenue was then to be paid into a sinking fund to cover deficits in operation until such fund amounted to one per cent. of the total cost of construction and equipment. If any revenue still remained, it was to be divided equally between the city and the lessee.

Under both contracts deficits in each item were to be cumulative, "and payments of such deficits were to be made in full before deducting the amounts required in the paragraph succeeding the paragraph providing for the payment of the deductions as to which there has been such deficit." Interest on such deficits was to be charged at the rate payable by the lessee or the city and was to be compounded semi-annually.

Recapture Clauses

The recapture clauses inserted in the Dual Contracts are important because of the insistence upon them at the time the contracts were made and because they were then thought to have given the city a leverage to protect its position under the contracts. The contracts provided that the lease of the lines to the companies was to be for forty-nine years, from the commencement of operations, without the privilege of renewal; and that the lease of the old subways to the Interborough under Contracts No. 1 and No. 2 was to be "levelled" so as to terminate at the same time. Under each contract the right to recapture the new lines was to accrue to the city ten years after the commencement of operations. In the case of Contract No. 3 the right might be exercised either as to the whole new system, or separately as to one or more of the four sections into which it was divided: (1) the upper-Lexington-lower-7th Avenue line, consisting of three

isolated links: (a) the Lexington Avenue line above Grand Central Station; (b) the lower 7th Avenue line to its connection with the old subway at Fulton and Joralemon Streets, Brooklyn; (2) the Brooklyn extension of the old subway east of Atlantic and Flatbush Avenues. The continuity of this line was broken between Grand Central Station and Times Square, and between Fulton and Joralemon Streets, Brooklyn, and Atlantic and Flatbush Avenues, Brooklyn, by portions of the original subway which are not subject to recapture; (3) the 42d-Street-Steinway Tunnel line, with its extensions in Queens; (4) the White Plains Road extension. In the event of recapture of one of the separate sections, the right to such recapture was to accrue ten years after actual commencement of operations upon such separate line, while the right to recapture the system as a whole was to accrue ten years from the commencement of operations upon any part of the railroad.

For exercising the right of recapture it was provided that the city must pay to the company a sum based upon the company's contribution to the cost of construction and equipment to be calculated in the following way. There was first to be added to the total of such contribution for construction and equipment 15 per cent. of such total, and of the 115 per cent. of the company's contribution thus resulting, the amount to be paid by the city on recapture was to decrease by 1-39th in each successive year of the thirty-nine years that the contract was to run after the right of recapture accrued. Thus if operation of the system commenced in 1917, the city's right to recapture would accrue in 1927 and if it were exercised in 1935 the city would have to pay to the company 31-39 of 115 per cent. of the company's initial investment. The city was to pay compensation for "additional" lines or equipment in accordance with a similar schedule.

It will be remembered that a right of recapture had not been reserved by the city in Contracts No. 1 and No. 2 covering the original subways, and this right was not given to the city by Contract No. 3. The upper West Side line with its Lenox Avenue Branch, the 42d Street shuttle from Times Square to the Grand Central Station, the lower East Side line from 42d Street to

Atlantic and Flatbush Avenues, Brooklyn, constituting those original lines, are therefore exempt from recapture. For this reason if the city should choose to exercise its right to recapture the new lines on the upper East Side and lower West Side they would constitute only isolated links which could not be operated as a system. To prevent this result, Contract No. 3 provided that in the event of the city's determining to use its right of recapture, it might exchange its upper East Side line for the old upper West Side line, or its lower West Side line for the old lower East Side line so as to give it a through line, capable of being operated independently. In the event of such an exchange "the difference in the value of the right to operate the portion of the existing railroad under Contracts No. 1 and No. 2 and the value of the right to operate the new line so exchanged therefor" was to be "adjusted and paid between the city and the lessee." This adjustment was to be made on terms which, it has been estimated, would require an additional payment by the city of \$10,000,000 if it should decide to take over the complete East Side line, and thus exchange the downtown legs of the two subways, or an additional charge of \$24,300,000 if the uptown legs are exchanged so that the city will control the West Side subway.¹

The recapture provisions of Contract No. 4 are substantially the same as those of Contract No. 3, except of course that there is no provision for exchange of lines. Ten years after the commencement of operation, the new lines may be either recaptured as a whole or separately in three parts: (1) Broadway-4th Avenue line; (2) Culver line; (3) 14th Street Eastern line. As in the case of Contract No. 3, the recapture price is based upon the total contribution of the company to cost of construction and equipment plus 15 per cent., this sum to decrease annually by 1-39th in each successive year of the thirty-nine years that the contract will run after the right of recapture accrues. It is provided that if the right of termination is exercised as to the Broadway-4th Avenue line separately, the rental provisions of the contract are to be readjusted by arbitration if necessary.

¹ See McAneny testimony before Commissioner McAvoy, Moreland Act Investigation, pp. 25, 89.

Extensions

In addition to the provisions of Contracts Nos. 3 and 4 relating to the specific lines prescribed in the contracts, there are other provisions covering possible future extensions. The companies agree that if such extensions are determined upon by the city, they will operate them in connection with the lines built under the contract. The companies, however, have an option to decide whether or not they will operate such new extensions under the financial arrangements prescribed by the contract. If they refuse to do this, they may be required to operate the extension as a part of the system, but upon terms which would entitle them, in case the extensions were not self-supporting, to repay to themselves interest and sinking fund charges on their investment in the extension out of the revenue of the entire system, and the deficits accruing from the failure of the extensions to meet such interest and sinking fund charges are to be cumulative preferred charges against the revenue of the whole system before any payments may be made therefrom to the city.

III. FINANCIAL RESULTS OF THE DUAL CONTRACTS

Construction work under the Dual Contracts is still going on, but the main portions of the new lines were brought into operation in 1918. The so-called Centre Street "loop," which had been completed by the city before the Dual Contracts were signed, commenced operation August 4, 1913, and a part of the so-called Steinway Tunnel line was placed in use June 22, 1915. The 7th Avenue line below Times Square was opened as far south as the Pennsylvania Station June 2, 1917, and in September of the same year the Manhattan Bridge route of the B. M. T. began to operate in Manhattan northward to Union Square. The main portions of the upper Lexington Avenue and lower 7th Avenue lines of the Interborough were placed in operation July 17, and July 1, 1918, respectively, and on August 1, through north and south traffic on these lines began. The main Broadway line of the B. M. T. subway reached Times Square January 5, 1918, but the northern and southern links were not opened until 1920,

when the lines from Manhattan to Queensborough Plaza, the Montague Street tunnel to Brooklyn, and the Culver line to Coney Island were completed. The eastern extensions of the Interborough subways in Brooklyn were opened in the spring of 1919 and the principal part of the 14th Street Eastern line in 1924. The eastern end of the latter line is still under construction, and work has not been commenced on the so-called Nassau-Broad Street subway of the B. M. T.

Since 1918 the history of the Dual Contracts has been one of almost continuous friction and controversy, not merely between city and the companies, but between the different public authorities to which from time to time supervisory duties over the subways have been committed. The controversy between the companies and the city has revolved about the contention of the former that the city authorities have been dilatory in fulfilling their obligations under the contracts, principally in connection with the construction of certain yards and repair shops, and also with appropriations of money and approval of contracts for the construction of uncompleted lines. The resulting controversies have further delayed progress under the contracts, and as time went on, these delays have been increased by a variety of suggestions as to plans for building additional subways. The control of subway construction was taken from the Public Service Commission in 1919, and placed in the hands of a municipal official, the Transit Construction Commissioner, from whom it was in turn taken in 1921 and entrusted to a new state body known as the Transit Commission, a portion of whose duties were in 1924 again transferred back to a municipal body, the present Board of Transportation.

The history of these controversies lies outside the field of the present discussion. The immediate point of interest is the financial result for the city and the companies from the operation of the rental clauses of the Dual Contracts. This is shown on the table (Table III).

From this table it appears that the year ending June 30, 1926, was the first in which any substantial surplus was produced over and above the preferential sums to which the companies were

TABLE III
SUBWAY OPERATIONS 1919-1927
SHOWING SURPLUSES OR DEFICITS AFTER PAYMENT TO OPERATING COMPANIES
(Figures obtained from Transit Commission)
Financial Results of Contract No. 3

	SIX MONTHS TO JUNE 30, 1919	FISCAL YEAR ENDING JUNE 30, 1920	FISCAL YEAR 1921	1922	1923	1924	1925	1926	SEVEN MONTHS TO JAN. 31, 1927 (*)
Total Revenue.....	\$14,003,734	\$31,622,973	\$34,827,414	\$34,642,840	\$36,344,258	\$39,392,634	\$39,430,613	\$42,643,648	\$24,165,765
Rentals, taxes, operating expenses, maintenance and depreciation.....	9,516,699	21,028,240	24,700,500	23,312,769	25,017,389	25,189,069	25,084,561	25,813,192	15,710,843
Lessee's charges, preferential, interest and sinking fund....	5,444,102	11,598,828	12,606,012	12,956,244	12,907,616	13,155,298	13,481,240	13,926,947	8,153,783
Balance after lessee's annual charges.....	D657,967	D1,004,095	D2,479,098	D1,026,172	D1,380,747	43,266	864,810	2,903,508	301,142

* Transit Record, April, 1927.

Financial Results of Contract No. 4

	YEAR ENDING JUNE 30, 1919	1920	1921	1922	1923	1924	1925	1926	SEVEN MONTHS PERIOD ENDING JAN. 31, 1927
Total Revenue.....	\$15,768,515	\$19,585,279	\$21,118,025	\$23,066,761	\$24,806,197	\$27,816,242	\$30,816,717	\$32,418,173	\$19,747,924
Rentals, taxes, operating expenses, maintenance and depreciation.....	11,965,867	17,458,128	19,002,065	16,840,355	17,772,703	20,016,903	21,525,468	22,846,489	13,480,870
Lessee's charges, preferential, interest and sinking fund....	6,241,750	6,894,224	7,314,776	7,830,210	8,333,962	8,415,646	8,613,016	8,745,347	5,233,178
Balance after lessee's annual charges.....	D2,439,103	D4,767,073	D5,198,836	D1,591,804	D1,300,468	D 616,307	678,238	826,336	1,033,878

TABLE III (CONCLUDED)
Financial Results of Operation by I. R. T. of Manhattan Elevated Lines

	YEAR ENDING JUNE 30, 1918	1919	1920	1921	1922	1923	1924	1925	1926	SEVEN MONTHS PERIOD ENDING JAN. 31, 1927
Total Revenue.....	\$18,712,548	\$18,618,353	\$19,829,482	\$20,139,595	\$18,753,723	\$19,190,471	\$19,396,684	\$19,045,456	\$19,122,353	\$11,531,617
Rentals, taxes, operating expenses, maintenance and depreciation.....	18,256,164	20,535,425	22,156,720	23,093,289	20,644,518	18,486,238	18,873,651	19,112,280	18,904,335	11,577,538
Lessee's charges, preferential, interest and sinking fund.....	2,763,203	3,718,186	4,057,549	4,224,740	4,400,762	4,348,587	4,441,711	4,592,693	4,607,995	2,696,238
Balance after lessee's annual charges.....	D2,306,818	D5,635,253	D6,384,786	D7,108,433	D6,291,552	D3,644,353	D3,918,677	D4,659,517	D4,389,977	D2,742,099

entitled under the Dual Contracts. This surplus amounted in the case of the Interborough to \$2,903,508.88, or more than \$5,000,000 less than the sum to which the city is annually entitled under Contract No. 3. In actual fact, however, the city was entitled to receive none of the 1926 surplus because of the large accumulated deficit in the company's preferred charges for preceding years. In the case of Contract No. 4, the surplus above company charges amounted in 1926 to only \$770,328, or more than \$7,000,000 less than the city would have been entitled to receive in the absence of accumulated deficits owing to the company. It is therefore apparent that operations under the contracts have completely failed to produce sufficient revenue to pay to the city what it was entitled to receive. In order to produce enough for the latter purpose, the gross revenue from operation would have had to amount, in the case of the Interborough, to \$44,238,000 instead of the actual figure of \$39,214,000. To produce this sum, the 784,280,000 passengers carried during the year by the Interborough's subway system would have had to pay a fare of approximately 5.7¢. In the case of Contract No. 4, the fare would have had to be approximately 6.2¢ to yield sufficient to pay the sum due to the city. It is furthermore to be noted that 1926 was an exceptionally good year for both companies, showing a large increase in the number of passengers carried on both lines, and in the case of the Interborough a great reduction in the ratio of operating expenses to operating revenue. In 1927 this ratio amounted to only 52.1 per cent., as against a high point of 62.6 per cent. in 1921. It is also to be noted that the seven months ending Jan. 30, 1927, showed a marked decrease in the surplus above the company's preferred charges.

It therefore seems fair to infer that the present traffic borne by the subways, taken together with the cost of operation at present prices for materials and labor, holds out no immediate hope for any return on the city's investment. Even should the Interborough be able in the next few years to increase the annual number of passengers carried, and still further decrease its operating ratio, the inauguration of service on the new Fort

Washington-8th Avenue subway, now being built by the city, may be expected for a time to put an end to this increased traffic, and a period may be expected to ensue when the Interborough subways will carry actually a smaller number of passengers than for several years past. In spite, therefore, of the relatively good showing made by the Interborough in the year 1926, there seems little reason to expect that the system will be able to bear the burdens of the full payments to both city and company prescribed by the Dual Contracts. This failure falls, at present, almost wholly upon the city in the case of Contract No. 3, since the revenue has in recent years been approximately sufficient to yield the amount due under the contract to the Interborough. The accumulated deficits in payments to the company amount to only a little over \$5,000,000, the remaining \$2,718,000 now due to the company representing compound interest on the former sum.

In the case of the B. M. T. system, from August 4, 1913, when the Centre Street loop line went into operation, down to July 1, 1926, the revenue received from operation failed by more than \$17,000,000 to yield the sums to which the company was entitled under Contract No. 4. The ratio of operating expenses to operating revenues has at times been unbelievably high, apparently amounting in 1921 to almost 90 per cent. In 1926 the system earned sufficient to pay the full sum to which the company was entitled under Contract No. 4, but practically no more. Meanwhile the operating ratio continues high, amounting in 1924 to 66.3 per cent.

The present financial aspect of the Rapid Transit situation is therefore as follows: the Interborough seems, for the present, assured of its preferred payments from subway operations. The commencement of service on the new municipal system now under construction can be expected, however, materially to cut down receipts from its present subway lines. Meanwhile, the reorganized Brooklyn-Manhattan Transit Corporation, the successor of the B. R. T., remains at present in annual danger of not receiving all that it is entitled to under its contract. It can, therefore, be anticipated that within the next few years the

situation of the companies themselves may force a reconsideration of the financial aspects of the transit problem and a readjustment of revenues and charges wholly apart from the question of the financial burden upon the city. The city has been taking losses continually from the beginning. When the new subway system comes into operation, the prospective losses which it may threaten for the companies will furnish added reason for reexamining the city's position in order that it may, so far as possible, be protected.

In addition to the question of the continued burden on the budget due to the city's investment in the existing subways, there remains the further question of how the cost is to be defrayed of the system of new lines now projected. The extent of this burden will depend upon the method of financing adopted, and largely upon the question of whether the decision is reached to issue long-term or short-term bonds.

APPENDICES

APPEN
BRIEF FINANCIAL STATEMENT
THE CITY OF NEW YORK—

CHARLES
COMP

WHAT THE CITY RECEIVED IN 1926

1. Taxes, Assessments, and Water Rates	\$390,282,506.83	
Taxes:		
Levy of 1926—From Real Estate Taxes:		
Borough of		
Manhattan	\$181,276,405.91	
The Bronx	28,402,250.24	
Brooklyn	75,119,145.56	
Queens	27,781,467.93	
Richmond	3,999,312.31	\$316,578,581.95
Levy of 1926—From Personal Taxes:		
Borough of		
Manhattan	\$1,755,168.61	
The Bronx	83,388.32	
Brooklyn	237,137.69	
Queens	54,866.30	
Richmond	21,540.50	2,152,101.42
		\$318,730,683.37
Levies of 1925 and Prior Years—		
From Real Estate Taxes:		
Borough of		
Manhattan	\$9,971,306.77	
The Bronx	3,720,240.32	
Brooklyn	11,833,410.90	
Queens	4,521,288.63	
Richmond	1,457,414.84	31,503,661.46
Levies of 1925 and Prior Years—		
From Personal Taxes:		
Borough of		
Manhattan	\$38,627.46	
The Bronx	7,211.10	
Brooklyn	7,199.33	
Queens	2,430.87	
Richmond	580.30	56,049.06
		\$350,290,393.89

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DIX A
OF NEW YORK CITY
DEPARTMENT OF FINANCE

W. BERRY
TROLLER

WHAT THE CITY PAID OUT IN 1926

ACCOUNT OF EXPENSES OF THE CITY GOVERNMENT

1. Executive (General Administration)	\$3,297,746.43	
2. Finance and Taxation	3,547,777.22	\$6,845,523.65
3. Legislative (Board of Aldermen and City Clerk)		644,182.43
4. Board of Elections		1,907,160.54
5. Judicial and Semi-Judicial		15,568,051.99
6. Educational:		
(a) Board of Education; City and Hunter		
Colleges	\$111,942,043.11	
(b) Libraries	2,554,267.24	114,496,310.35
7. Recreation, Science and Art:		
(a) Parks, Parkways and Drives	\$5,782,716.22	
(b) Zoological and Botanical Gardens,		
Museums, etc.	2,641,472.75	8,424,188.97
8. Health and Sanitation		38,230,313.19
9. Water Supply		11,675,227.09
10. Protection of Life and Property		64,448,660.34
11. Correctional Purposes		2,660,676.42
12. Public Welfare		22,572,687.21
13. Streets, Highways and Bridges (Care and		
Maintenance)		15,903,078.26
14. Public Buildings and Offices (Care and		
Maintenance)		5,448,193.70
15. Publication, Advertising and Printing		2,629,343.33
16. Public Enterprises (Docks, Ferries, etc.)		12,994,296.57
17. Pension and Relief Funds, etc.		15,078,892.78
18. Taxes and Rents		1,549,191.01
19. Memorial and Independence Day Observance		157,575.12
		\$341,233,552.95

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WHAT THE CITY RECEIVED IN 1926

Brought forward	\$350,290,393.89	
Assessments for Local Improvements:		
Borough of		
Manhattan	\$1,103,679.43	
The Bronx	5,932,980.92	
Brooklyn	4,670,756.98	
Queens	6,516,848.80	
Richmond	461,556.73	18,685,822.86
Water Rates:		
Revenue from Water		
Rates and Water		
Meter Rentals	\$21,232,466.15	
Interest on Water		
Rates	73,823.93	21,306,290.08
		<u>\$390,282,506.83</u>
2. Special Taxes		\$40,831,424.38
Bank Tax	\$6,887,426.02	
Tax on Moneyed Capital	573,249.00	
Mortgage Tax—City's Share	4,722,020.81	
Corporation Tax—City's Share	7,641,698.03	
State Income Tax—City's Share	18,186,432.83	
Motor Vehicle Tax—City's Share	2,724,059.70	
Real Estate Brokers' and Salesmen's Tax	96,537.99	
		<u>\$40,831,424.38</u>
3. Franchises and Privileges		3,011,959.94
3a. Rentals from Subways—Interborough		
Rapid Transit Company, as Lessee	\$2,651,403.70	
Rentals from Docks, Ferries, and Surface		
Transportation	\$11,822,195.04	14,473,598.74
Dock and Slip Rents	\$7,206,959.08	
Municipal Ferries—Fares and Privileges	3,299,985.06	
Ferry Leases—From Leases of Ferry Slips		
to Corporations	471,417.25	
Surface Transportation—Staten Island		
Midland Railroad and Williams-		
burgh Bridge Trolley Line	843,833.65	
		<u>\$11,822,195.04</u>
4. Licenses and Permits		2,802,261.50
Departmental Permits	\$1,111,081.57	
Marriage Licenses	163,618.00	
All other Licenses	1,527,561.93	
		<u>\$2,802,261.50</u>
5. Fees, Fines, Penalties, and Forfeitures		6,398,542.48
6. Income from City Properties (Market, House, Ground, and		
Other Rentals)		<u>\$1,133,361.78</u>

WHAT THE CITY PAID OUT IN 1926

Brought forward	\$341,233,552.95	
20. Taxes paid to State	17,564,808.49	
21. Refunds of Sundry Revenues	2,901,348.66	
22. Interest on the City Debt	\$66,131,977.56	
Amount thereof paid to City Sinking Funds	9,772,716.73	
Total Interest paid to Public and to Pension Funds		56,359,260.83
TOTAL PAYMENTS account of CURRENT EXPENSES	\$418,058,970.93	
Redemption of City Debt (Long-term Bonds)	\$31,685,129.74	
Debt Redeemed—which was held by Sinking		
Funds	16,856,654.82	14,828,474.92
TOTAL DISBURSEMENTS for CURRENT EXPENSES and		
DEBT REDEMPTION, after Deducting all Inter Se		
Transactions		<u>\$432,887,445.85</u>
OUTLAYS FOR PERMANENT IMPROVEMENTS,		
PAID FROM CORPORATE STOCK, SERIAL BONDS, AND TAX NOTES		
For Rapid Transit Construction	\$50,774,182.35	
New Catskill Water Supply	2,702,284.29	
Docks	2,158,788.02	\$55,635,254.66
Department of Water Supply, Gas and Electricity	5,211,217.27	
Street Improvement Fund	30,199,346.89	
Fund for Street and Park Openings	8,779,035.00	
School Construction and Equipment	19,393,865.45	
Department of Parks, All Boroughs	1,765,320.16	
Borough Presidents, Construction of Highways, etc.	8,664,513.42	
Department of Plant and Structures	4,255,776.78	
New Court House, New York County	2,922,592.42	
New Municipal Buildings, Brooklyn	1,315,339.63	
Department of Public Markets	1,554,155.38	
Department of Public Welfare	\$2,337,554.19	
Bellevue and Allied Hospitals	1,207,999.38	3,545,553.57
Armory Board	190,249.75	
Fire Department	508,469.10	
Police Department	656,364.14	
Health Department	156,393.27	
Department of Street Cleaning	288,098.88	
Westchester County Park Commission (Bronx Parkway Com-		
mission)	637,040.58	
Sundry Other Departments	729,295.41	
		<u>\$146,407,901.76</u>

WHAT THE CITY RECEIVED IN 1926

7. Reimbursements by Street Railway Companies for Repaving Costs within Railroad Areas, and Other Reimbursements	\$4,229,491.16
8. Reimbursements for Board and Maintenance at City Institutions	727,396.82
9. State Aid for Schools	21,560,670.38
10. Interest on Taxes, Assessments, Bank Balances, etc.	7,316,448.06
11. Sales of City Property	1,685,573.20
12. Premium from Long-term Bond Sales to Public	794,175.00
13. Miscellaneous	1,848,440.87
TOTAL RECEIPTS (Exclusive of Loans)	\$497,095,851.14
14. Borrowings from Public and Pension Funds	482,270,000.00
Corporate Stock and Serial Bonds	\$75,000,000.00
Corporate Stock Notes	118,295,000.00
Tax Notes	16,500,000.00
Special Revenue Bonds	28,125,000.00
Revenue Bills (in anticipation of Collection of Taxes)	244,350,000.00
	<u>\$482,270,000.00</u>
15. Sale of Securities by Sinking Funds to Pension Funds	7,923,000.00
TOTAL RECEIPTS from ALL SOURCES, viz., from Taxes, Assessments, Water Rates, and Other Revenues; from Borrowings by Sales of Long-term Bonds and Short-term Notes, excluding all Inter Se Transactions	\$987,288,851.14
16. January 1, 1926—Cash Balances in City Treasury and Sinking Funds	35,265,604.88
TOTAL RECEIPTS and OPENING CASH BALANCE	<u>\$1,022,554,456.02</u>

ADDITIONAL CLASSIFICATION OF THE STATEMENT SHOWING

The Total Payments by the City during 1926, aggregating \$982,371,347.61, group into the following general classification:	
For Personal Service	\$255,892,519.92
For Pensions and Relief	15,078,892.78
For Taxes and Rents	1,549,191.01
For Taxes paid to State	17,564,808.49
Payments on account of Contracts, Open Market Orders, Judgments, Claims, Awards for Property acquired by the City and Sundry Other	215,120,851.00
Refunding of Sundry Receipts consequent upon Overpayments, Adjustments, etc.	2,901,348.66
Redemption of Long-term Debt and Interest on Debt	71,187,735.75
TOTAL PAID OUT by THE CITY on account of Current Expenses of the City, Outlays for Permanent Improvements, and Debt Service	\$579,295,347.61
Redemption of Temporary Debt	403,076,000.00
TOTAL AMOUNT PAID OUT by THE CITY during 1926	<u>\$982,371,347.61</u>

WHAT THE CITY PAID OUT IN 1926

TOTAL DISBURSEMENTS during 1926 for account of Current Expenses of City Government; Interest and Redemption of Debt; Outlays for Permanent Improvements	\$579,295,347.61
Redemption of Temporary Loans:	
Revenue Bills	\$249,350,000.00
Special Revenue Bonds	25,276,000.00
Corporate Stock Notes (including Renewals)	109,950,000.00
Tax Notes	18,500,000.00
	<u>403,076,000.00</u>
TOTAL PAYMENTS during 1926, EXCLUSIVE of INTER SE TRANSACTIONS	\$982,371,347.61
December 31, 1926—Cash Balances in City Treasury and Sinking Funds	40,183,108.41

TOTAL PAYMENTS and CLOSING CASH BALANCE . . . \$1,022,554,456.02

WHAT THE CITY OF NEW YORK PAID OUT IN 1926

These Payments were made from the following sources, i.e., funds or accounts:
From the 1926 Tax Budget Appropriation Accounts . . . \$398,671,854.27

(These included \$35,750,000 redemption of short-term obligations, viz., special revenue bonds and tax notes.)	
From 1925 and Prior Years' Budget Appropriations liquidating Unpaid Liabilities of these Budgets	25,406,022.40
From Special Revenue Bond Funds (including \$9,220,631.30 for Board of Education)	29,381,990.54
From Corporate Stock, Tax Note and Assessment Funds	147,719,997.17
From Special and Trust Funds	11,452,483.58
From Sinking Funds in Redemption of Long-term Bonds held by the Public	2,412,999.65
From the General Account—Redemption of Temporary Loans, viz., Corporate Stock Notes, Revenue Bills and Special Revenue Bonds	367,326,000.00
	<u>\$982,371,347.61</u>

RE THE CITY DEBT

On the first of January, 1926, the City's Long-term Debt, consisting of Corporate Stock and Serial Bonds (excluding General Fund Bonds) aggregated	\$1,474,053,726.10
During the Year 1926 we redeemed	31,942,864.51
	<u>\$1,442,110,861.59</u>
During the Year we issued and sold, and thereby added to the Long-term Debt	109,087,925.00
making the Total Amount Outstanding as at December 31, 1926, of Corporate Stock, Serial Bonds, and Assessment Bonds Redeemable by the City of New York	<u>\$1,551,198,786.59</u>

RE CORPORATE STOCK NOTES

On the first of January, 1926, there were \$91,950,000 of corporate stock notes outstanding. During the year we were required to issue \$116,937,925 and there was taken up \$99,092,925 by the sale of \$75,000,000 of corporate stock and serial bonds to the public; the remainder being taken by the Sinking Funds. We closed the year with \$109,795,000 of corporate stock notes outstanding, which, together with additional notes sold in 1927, were taken up by the bond sales of January 6th and May 11th, 1927.

RE SINKING FUNDS

Of the City Debt	\$1,264,953,497.65
is redeemable by the Sinking Funds; the remainder is redeemable as it matures by the direct appropriations in the recurring annual tax budgets.	
The total Amortization Reserves required to provide for the redemption of the bonds redeemable by the Sinking Funds amounted on December 31, 1926, to	268,033,621.73
and the Total Assets held by the Sinking Funds, consisting of investments in New York City bonds, cash in the City depositories, and accrued interest (not due) on investments, amounted to	297,285,656.97
the Sinking Funds therefore showing Surplus Assets of over all Amortization Reserves required as at December 31, 1926.	<u>\$29,252,035.24</u>

GROWTH OF NEW YORK CITY'S BUDGET 1898-1927

[illegible]

APPENDIX C
TAX BUDGET APPROPRIATIONS, SELECTED YEARS 1915-1927

	1915	1918	1921	1924	1925	1926	1927
<i>Central Administration</i>							
Board of Estimate and Apportionment	\$621,438	\$484,101	\$384,286	\$585,131	\$767,247	\$546,161	\$586,264
The Mayorality and Legislation	\$370,517	388,905	488,232	562,005	715,552	724,872	702,222
Department of Finance	1,516,905	1,368,400	1,070,691	2,064,208	2,353,289	2,611,445	2,648,854
City Chamberlain	58,015	59,227	54,993	92,910	92,004	88,754	97,308
Law Department	851,307	805,578	1,659,489	1,410,475	1,605,489	1,522,191	1,536,841
Department of Taxes and Assessments	589,708	581,228	756,621	818,310	954,073	966,633	1,045,948
Municipal Civil Service Commission	280,435	243,435	255,248	247,130	264,638	266,304	290,694
Department of Investigations and Accounts	260,329	250,381	298,634	302,911	333,263	371,084	340,547
Department of Licenses	171,925	174,991	220,924	220,924	232,664	207,038	215,488
Department of Public Markets . . . . .	.....	87,078	196,776	408,527	504,842	501,999	655,127
TOTAL CENTRAL ADMINISTRATION	\$4,656,950	\$4,504,236	\$5,809,864	\$6,711,531	\$7,823,059	\$7,752,491	\$8,209,293
<i>Borough Government</i>							
President Borough of Manhattan	\$2,749,706	\$2,923,467	\$4,850,335	\$4,811,561	\$5,123,407	\$5,534,362	\$5,909,807
President Borough of The Bronx	1,220,243	1,269,918	2,180,299	2,277,768	2,624,664	2,756,515	2,830,905
President Borough of Brooklyn	2,147,756	2,341,603	4,431,040	4,316,385	4,582,247	4,892,200	5,112,017
President Borough of Queens	2,043,781	2,351,096	4,513,897	4,859,659	5,839,225	6,882,675	8,119,704
President Borough of Richmond	713,085	800,367	1,434,078	1,531,320	1,817,000	1,950,154	2,110,819
TOTAL BOROUGH GOVERNMENT	\$8,874,573	\$9,686,454	\$17,409,652	\$17,796,695	\$19,886,545	\$21,727,908	\$24,083,253
<i>Education and Recreation</i>							
Department of Education	\$39,840,348	\$42,501,155	\$50,720,680	\$77,994,366	\$79,724,527	\$81,936,803	\$83,688,000
Board of Higher Education . . . . .	.....	.....	.....	.....	.....	.....	149,760
City and Hunter Colleges	1,239,470	1,390,494	1,844,801	2,361,363	2,425,580	2,635,817	3,082,768
Retirement Systems and Board . . . . .	.....	2,674,839	2,938,972	4,239,293	4,099,128	5,232,628	5,487,362
Libraries	1,346,607	1,558,498	2,082,522	1,954,827	1,931,130	2,452,133	2,593,749
Department of Parks	2,429,667	2,461,548	4,074,637	4,044,992	4,175,705	4,781,339	6,007,721
Institutions and Societies	1,042,717	1,111,484	1,694,434	1,640,970	1,743,086	1,723,883	1,837,688
TOTAL EDUCATION AND RECREATION	\$45,930,697	\$51,666,141	\$63,356,365	\$92,235,818	\$95,099,162	\$98,762,608	\$101,797,051

TAX BUDGET APPROPRIATIONS, SELECTED YEARS 1915-1927—Continued

	1915	1918	1921	1924	1925	1926	1927
Protection of Life and Property							
Police Department	\$17,364,594	\$19,394,613	\$28,549,407	\$33,187,918	\$37,998,603	\$38,800,925	\$43,711,131
Fire Department	9,243,535	10,251,145	17,033,082	17,901,840	19,063,899	18,983,182	19,406,963
Department of Correction	1,312,220	1,814,954	2,444,136	2,133,360	2,151,564	2,270,400	2,459,904
Parole Commission	8,675	95,398	113,896	113,276	118,285	118,020	118,014
Courts (City)	2,609,178	2,765,268	3,765,100	3,908,038	4,103,826	4,246,965	4,943,502
Courts (County)	3,451,506	3,610,701	4,797,066	5,329,283	5,507,352	5,738,329	6,510,943
TOTAL PROTECTION	\$33,986,708	\$37,932,079	\$56,502,687	\$62,573,715	\$68,886,089	\$70,156,921	\$77,150,457
Health, Sanitation and Charity							
Department of Health	\$3,443,492	\$3,711,376	\$5,655,568	\$5,300,290	\$5,446,107	\$5,651,850	\$6,073,211
Department of Public Welfare	4,008,889	5,111,440	8,197,487	7,786,128	7,653,126	8,040,243	9,121,517
Board of Child Welfare . . . . .	.....	1,552,170	3,081,635	4,142,940	5,157,937	5,542,788	5,593,285
Bellevue and Allied Hospitals	1,458,962	2,089,625	3,313,291	2,906,569	2,872,891	3,108,028	3,736,883
Tenement House Department	712,548	642,807	804,079	819,261	888,066	858,935	882,418
Dept. of Water Supply, Gas and Electricity	6,973,356	6,809,417	8,706,947	10,077,901	10,484,917	11,318,309	12,620,239
Department of Street Cleaning	7,646,186	9,033,349	16,790,036	17,838,040	20,294,995	21,274,051	23,036,442
TOTAL HEALTH, SANITATION AND CHARITY	\$24,245,433	\$28,950,184	\$46,549,343	\$48,871,129	\$52,657,999	\$55,793,124	\$61,133,995
Commerce and Traffic							
Department of Plant and Structures	\$802,218	\$754,632	\$5,419,350	\$6,837,879	\$7,092,730	\$7,401,387	\$8,135,302
Department of Docks	1,946,515	2,083,539	1,382,538	1,245,274	1,202,977	1,18,020	1,463,013
Board of Transportation . . . . .	.....	48,970	.....	.....	.....	.....	5,000,000
TOTAL COMMERCE AND TRAFFIC	\$2,748,733	\$2,887,141	\$6,802,208	\$8,083,153	\$8,295,707	\$7,519,407	\$14,598,315
Central Purchase, Printing, etc.							
Board of City Record, New York City	\$938,455	\$950,844	\$1,394,341	\$1,342,981	\$1,343,796	\$1,408,952	\$1,573,013
Department of Purchase . . . . .	.....	28,558	170,206	231,963	242,995	241,926	286,669
Advertising	125,000	115,000	115,000	115,000	115,000	180,000	180,000
County Purchase and Printing	79,250	87,000	102,000	84,000	84,800	109,500	137,500
TOTAL CENTRAL PURCHASE, ETC.	\$1,142,705	\$1,181,402	\$1,782,647	\$1,774,744	\$1,786,591	\$1,938,378	\$2,157,182

Debt Service—Tax Deficiency	\$65,944,473	\$78,690,460	\$107,208,527	\$99,758,327	\$106,487,232	\$130,900,854	\$140,006,554
Rent	858,471	845,031	742,616	757,832	765,649	823,000	840,497
Misc. City and County	7,661,932	10,324,102	13,160,715	16,181,073	16,908,611	18,760,797	27,432,626
TOTAL CITY GOVERNMENT	\$191,956,069	\$222,259,468	\$313,459,633	\$344,266,157	\$371,765,816	\$407,481,417	\$449,121,091
County Government							
Administration							
County Clerks	\$505,536	\$524,952	\$ 759,198	\$ 763,831	\$ 870,587	\$ 914,382	\$ 758,743
District Attorneys	777,975	946,500	1,147,599	1,315,620	1,404,562	1,420,896	1,547,975
Registers	611,102	589,982	812,029	886,907	954,582	979,112	1,412,425
Sheriffs	432,913	450,961	605,238	716,396	798,854	815,018	878,014
Commissioners of records	200,000	200,000	258,330	249,441	249,506	250,573	250,931
Commissioners of records—Surrogates Court	46,827	46,672	77,198	78,923	85,422	91,042	91,042
Commissioners of Jurors	140,300	142,086	188,400	166,092	221,870	223,920	231,841
Public Administrators	45,932	45,216	63,036	68,406	70,124	78,430	82,898
TOTAL ADMINISTRATION	\$2,759,585	\$2,817,269	\$3,911,028	\$4,245,616	\$4,655,507	\$4,768,373	\$5,253,779
Health, Sanitation and Charity	\$178,510	\$175,490	\$204,400	\$154,545	\$129,750	\$49,000	\$35,000
TOTAL COUNTY GOVERNMENT	\$7,033,716	\$7,400,534	\$10,029,222	\$10,907,436	\$11,616,097	\$11,953,773	\$13,149,510
TOTAL CITY AND COUNTY	\$198,989,786	\$238,662,514	\$345,571,899	\$375,468,000	\$399,618,885	\$437,000,000	\$474,895,300

APPENDIX D
DEPARTMENTAL APPROPRIATIONS, NEW YORK, 1926 CLASSIFIED BY FUNDS

	TAX BUDGET ¹		SPECIAL REVENUE BOND AUTHORIZA- TIONS ²	TAX NOTE AUTHORIZA- TIONS ³	RECEIPTS OF SPECIAL FUNDS ⁴	CORPORATE STOCK AUTHORIZA- TIONS ⁵
	Original Appropriations	Transfers				
		Dr.	Cr.			
<i>Legislation</i>						
Board of Aldermen and City Clerk	\$506,436	\$612	\$25,190	.....	.....	.....
Municipal Assembly . . . . .	.....	.....	.....	.....	.....	.....
TOTAL, LEGISLATION	\$506,436	\$612	\$25,190	.....	.....	.....
<i>Central Administration</i>						
Board of Estimate and Apportionment	\$546,161	\$2,709	\$38,128	.....	.....	.....
New York City Employees' Retirement System	4,335,229	...	5,530	.....	.....	.....
The Mayoralty	128,436	...762	10,823	.....	.....	.....
Department of Finance	2,612,445	105,361	87,730	.....	.....	.....
City Chamberlain	88,754	...	2,306	.....	.....	.....
Law Department	1,522,191	11,000	18,182	.....	\$250	.....
Department of Taxes and Assessments	966,633	11,948	...	.....	.....	.....
Board of Elections	1,911,887	38,570	21,463	.....	.....	.....
Civil Service Commission	266,304	...	28,369	.....	.....	.....
Department of Investigation and Accounts	317,094	13,841	...	\$4,134	.....	.....
Bureau of Weights and Measures	80,493	7,442	...	.....	.....	.....
Department of Licenses	207,038	7,973	1,350	.....	.....	.....
Department of Public Markets	501,999	1,674	2,668	.....	.....	.....
Art Commission	7,870	...	783	.....	.....	.....
Examining Board of Plumbers	9,959	...	93	.....	.....	.....
TOTAL, CENTRAL ADMINISTRATION	\$13,553,027	\$201,283	\$217,925	.....	\$250	.....

¹ *Comptroller's Report for 1926*, pp. 150-153.² *Ibid.*, p. 163, ff.³ *Ibid.*, p. 231.⁴ *Ibid.*, p. 303.⁵ *Ibid.*, p. 182-3. Omits Assessment Fund replenishments.

<i>Borough Government</i>	\$5,534,362	\$53,060	\$133,918	\$287,648	\$3,045,236	\$815,731	\$6,500
President Borough of Manhattan	2,759,515	11,624	13,059	227,106	2,035,665	90,103	.....
President Borough of The Bronx	4,892,200	121,030	65,778	166,308	2,563,175	448,288	6,200
President Borough of Brooklyn	6,582,675	230,395	614,613	1,271,362	1,025,695	232,688	770,000
President Borough of Queens	1,959,154	33,164	24,312	82,325	789,200	59,210	275,000
TOTAL, BOROUGH GOVERNMENT	\$21,727,908	\$440,273	\$851,680	\$2,034,949	\$9,458,971	\$1,646,012	\$1,045,000
<i>Education and Recreation</i>							
Department of Education	\$81,936,803	\$280,347	\$280,347	.....	\$250,000	\$21,675,786	\$17,010,905
Board of Higher Education . . . . .	.....	.....	.....	35,000	.....	.....	.....
Board of Education Retirement System	331,215	.....	.....	.....	.....	.....	.....
College of the City of New York	1,493,091	8,000	8,000	38,674	20,750	392,552	1,500,000
Hunter College	1,142,726	32,375	.....	107,433	.....	129,162	750,000
Teachers Retirement System	4,853,517	.....	.....	.....	.....	.....	.....
Hunter College Retirement System	47,898	.....	2,200	.....	.....	.....	.....
New York Public Library	1,407,876	.....	.....	.....	.....	.....	.....
Brooklyn Public Library	743,283	.....	.....	.....	.....	.....	.....
Queens Public Library	300,974	5,870	10,411	.....	.....	.....	.....
Department of Parks:							
Park Board	150,901	.....	666	.....	.....	.....	.....
Manhattan	1,566,423	8,283	41,205	38,322	9,500	.....	.....
Bronx	1,099,071	6,272	3,645	22,300	47,320	.....	.....
Brooklyn	1,341,773	35,901	65,276	42,551	99,690	.....	92,500
Queens	483,643	4,098	1,303	.....	249,000	.....	.....
Richmond	139,528	1,167	2,766	.....	.....	.....	.....
Institutions, Museums, etc.	1,703,883	7,200	47,573	.....	.....	.....	.....
TOTAL, EDUCATION AND RECREATION	\$98,762,608	\$69,513	\$443,302	\$254,280	\$676,460	\$22,197,500	\$19,353,405
<i>Protection of Life and Property</i>							
Police Department	\$38,800,925	\$108,904	\$836,903	620,678	75,000	.....	.....
Fire Department	18,983,182	204,187	18,284	1,793,346	463,000	582	.....
Armory Board	358,235	3,615	5,576	280,099	.....	24,669	.....
Board of Standards and Appeals	82,330	5,146	200	.....	.....	.....	.....
U. S. Volunteer Life Saving	7,785	.....	.....	.....	.....	.....	.....
TOTAL, PROTECTION	\$58,232,458	\$321,552	\$960,863	\$2,694,123	\$538,000	\$25,251	.....

DEPARTMENTAL APPROPRIATIONS, NEW YORK, 1926 CLASSIFIED BY FUNDS—Continued

	Tax Budget ¹			SPECIAL REVENUE BOND AUTHORIZA- TIONS ²	TAX NOTE AUTHORIZA- TIONS ³	RECEIPTS OF SPECIAL FUNDS ⁴	CORPORATE STOCK AUTHORIZA- TIONS ⁵
	Original Appropriations	Transfers					
		Dr.	Cr.				
<i>Health, Sanitation and Charity</i>							
Department of Health	\$5,651,850	\$153,564	\$139,108	\$2,700	\$34,600	\$48,481	\$933,468
Board of Public Welfare	8,040,243	55,780	431,393	369,727	113,000	.....	1,000,000
Board of Child Welfare	5,543,788	161,109	.....	.....	.....	.....	.....
Bellevue and Allied Hospitals	3,106,028	60,155	238,107	44,929	.....	.....	654,480
Board of Ambulance Service	169,401	1,199	676	.....	.....	.....	.....
Tenement House Department	858,865	10,516	918	3,000	.....	.....	.....
Dept. Water Supply, Gas and Electricity	11,318,299	139,970	31,452	168,633	100,000	6,511,971	5,577,000
Board of Water Supply . . . . .	.....	.....	.....	.....	.....	.....	500,000
Department of Street Cleaning	21,274,051	131,577	218,752	8,225,133	.....	.....	.....
Payments to Charities, etc.	7,378,905	502,500	278,000	.....	.....	.....	.....
TOTAL, HEALTH	\$63,348,932	\$1,216,370	\$1,338,199	\$8,814,122	\$247,600	\$6,560,452	\$8,664,948
<i>Courts and Correction</i>							
City Courts	\$4,246,065	\$787	\$156,860	\$150,218	\$20,000	.....	.....
County Courts	6,863,482	74,423	35,995	1,500	.....	.....	.....
Department of Correction	2,270,400	91,924	64,223	55,000	.....	\$42	.....
Parole Commission	118,020	1,141	.....	.....	.....	.....	.....
TOTAL, COURTS AND CORRECTION	\$13,497,967	\$184,645	\$257,078	\$206,718	\$20,000	\$42	.....
<i>Commerce and Traffic</i>							
Department of Plant and Structures	\$7,401,387	\$40,208	\$140,212	\$285,000	\$1,098,295	.....	\$2,353,217
Department of Docks	1,412,184	65,256	105,084	37,000	.....	.....	719,332
Board of Transportation . . . . .	.....	.....	.....	3,636,059	380,195	\$442,708	56,721,542
Transit Commission . . . . .	.....	.....	.....	700,799	.....	.....	.....
TOTAL, COMMERCE AND TRAFFIC	\$8,813,571	\$105,464	\$245,296	\$4,638,853	\$1,473,490	\$442,708	\$59,794,091

¹ *Comptroller's Report for 1926*, pp. 150-153.² *Ibid.*, p. 163, ff.³ *Ibid.*, p. 231.⁴ *Ibid.*, p. 303.⁵ *Ibid.*, p. 182-3. Omits Assessment Fund replenishments.

<i>Central Purchase, etc.</i>									
Board of City Record	\$1,408,952	\$4,000	\$56,691	\$900,000	.....	.....	.....	.....	.....
Department of Purchase	241,925	2,935	750	.....	.....	.....	.....	.....	.....
Advertising	180,000	.....	.....	.....	.....	.....	.....	.....	.....
TOTAL, CENTRAL PURCHASE	\$1,829,878	\$6,935	\$57,441	\$900,000	.....	.....	.....	.....	.....
<i>Debt Service</i>									
Tax Deficiency	\$128,020,854	\$550,000	.....	.....	.....	.....	.....	.....	.....
Rent	825,000	.....	.....	.....	.....	.....	.....	.....	.....
<i>Miscellaneous</i>									
.....	2,204,757	2,636,391	\$1,587,397	\$2,371,280	.....	\$7,169,169	\$915,879	.....	.....
TOTAL, CITY GOVERNMENT	\$133,990,611	\$5,882,839	\$5,846,873	\$33,302,096	\$12,214,512	\$39,262,379	\$89,773,323	.....	.....
<i>County Government (except Courts)</i>									
New York County	\$1,704,034	\$59,259	\$84,911	\$40,820	.....	.....	.....	.....	.....
Bronx County	825,078	23,457	43,835	34,574	.....	\$6,400	.....	.....	.....
Kings County	1,608,404	61,309	59,512	69,176	.....	.....	.....	.....	.....
Queens County	663,103	36,173	43,240	29,515	.....	.....	.....	.....	.....
Richmond County	236,672	2,497	24,569	4,000	.....	.....	.....	.....	.....
TOTAL, COUNTY GOVERNMENT	\$5,090,291	\$182,695	\$256,067	\$177,885	.....	.....	.....	.....	.....
TOTAL, CITY AND COUNTY GOVERNMENT	\$419,435,192	\$6,139,957	\$6,139,957	\$33,479,981	\$12,214,512	\$39,268,760	\$89,773,323	.....	.....

APPENDIX E

TERMS AND CONDITIONS, BUDGET FOR 1927

Resolved, That this, the Budget of The City of New York, for the year 1927, as hereby made in pursuance of section 226 of the Greater New York Charter, shall be administered under the following terms and conditions, to be changed only by the Board of Estimate and Apportionment:

First—

Changes in Schedules

That no change shall be made by any Board or head of an Office, Bureau or Department in the City or County Governments in the personal service schedules contained in this Budget, except when authorized by the Board of Estimate and Apportionment.

Modifications

That requests for modification of the personal service schedules may be made by a Board or head of an Office, Bureau or Department to the Board of Estimate and Apportionment and shall be effective only if and in so far as approved by the Board of Estimate and Apportionment. No request for a modification of personal service schedules shall be made which contemplates the use of moneys already accrued or which will increase the monthly or other pro rata rate of expenditure from this Budget.

Vacancies

That vacancies existing on January 1, 1927, or occurring thereafter, in the personal service schedules in this Budget for "Salaries Regular Employees," "Salaries Temporary Employees," "Wages Regular Employees" or "Wages Temporary Employees," may be filled as follows:

1. Positions in the uniformed forces of the Department of Police, Fire and Street Cleaning.
Positions in the Labor Class as defined in civil service rules and classifications.

Positions in the Exempt Class and Unclassified.

Automobile Enginemen, Auto Truck Drivers, Foremen (over Skilled Trades) and Ambulance Enginemen, and all employees paid at a per diem rate or weekly rate. Copyist and Recording Clerks paid at the rate of 5 cents a folio; Gardeners, Steam Roller Engineers and Electricians; and

Positions involving the actual operation of machinery or mechanical plants.

—may be filled by the head of the Board, Office, Bureau or Department in his discretion, as follows: provided, however, that in departments under the jurisdiction of the Mayor, his permission shall first have been obtained:

(a) Positions in the uniformed forces of the Departments of Police, Fire and Street Cleaning, and in the Bureaus of Street Cleaning in the Boroughs of Queens and Richmond may be filled at the rates provided in this Budget for their respective entrance grades;

Provided that if a vacancy occur in the said uniformed forces by reason of the separation from such service of an individual who at the time of such separation receives more than the entrance grade rate, nothing in this resolution shall tend to prevent the reinstatement of such individual at the rate previously received by him or at any other rate or grade to which he may be entitled by law at the time of such reinstatement.

(b) Positions in the Exempt Class and Unclassified and Automobile Enginemen, Auto Truck Drivers, Foremen (over Skilled Trades), Ambulance Enginemen, positions in the Labor Class as defined in civil service rules and classifications, positions of Gardeners, Electricians and Steam Roller Engineers; all employees paid at a per diem rate or weekly rate; Copyists and Recording Clerks paid at the rate of 5 cents a folio, and positions involving the actual operation of machinery or mechanical plants may be filled at the prevailing rates of wages as ascertained and approved, from time to time, by the Board of Estimate and Apportionment, or at the schedule line rates.

2. Positions recited below may be filled at not exceeding the following rates, in the discretion of the head of the Department or Board:

[A list of institutional positions is omitted.]

3 (a). All other vacancies may be filled in the discretion of the Department Head at one of the following rates; the particular rate in each case being the one next lower than the schedule line rate unless the schedule line rate is one of the rates enumerated below, in which case the vacancy may be filled at the schedule line rate, and provided that

in departments under the jurisdiction of the Mayor the approval of the Mayor shall first have been obtained:

Positions Governed by the Municipal Civil Service Rules	Positions Governed by the State Civil Service Rules
Rates of Compensation (With and Without Maintenance)	Rates of Compensation
\$760 00	\$760 00
960 00	901 00
1,260 00	1,201 00
1,560 00	1,501 00
1,860 00	1,621 00
2,160 00	1,801 00
2,460 00	2,101 00
2,760 00	2,401 00
3,000 00	2,641 00
3,500 00	2,701 00
4,000 00	3,001 00
4,500 00	3,500 00
5,000 00	4,000 00
5,500 00	4,500 00
6,000 00	5,000 00
	5,500 00
	6,000 00

The following positions are excepted from the above rates and may be filled at the minimum rates hereafter specified:

[A brief list of special positions is omitted.]

Vacancies resulting from the filling of a position in the manner prescribed in this paragraph 3 (a), by promotion or transfer, may be filled at the schedule line rate if filled by promotion or transfer, provided that in departments under the jurisdiction of the Mayor the approval of the Mayor shall first have been obtained.

(b) Where a position has become temporarily vacant by reason of leave of absence, without pay, granted the regular incumbent, such position may be filled temporarily in the discretion of the department head in accordance with the rates above specified.

(c) In special cases involving a modification of schedules, and in cases of new positions provided in this Budget, the Board of Estimate and Apportionment may grant permission to fill positions at rates varying from the above rule.

Second—There shall be credited to the "Funds for Salary and Wage Accruals to Be Expended as Provided in the Budget Resolutions" established in this Budget for The City of New York for each of the five counties therein, as soon as practicable after the expiration of each salary or wage period, the accruals during such period of "Salaries Regular Employees" and "Wages Regular Employees," but these credits shall be made only upon the submission of reports thereon by the Comptroller to the Board of Estimate and Apportionment, pursuant to section 237 of the Greater New York Charter.

Third—All appropriations under a classification other than "Personal Service," to any Board, Office, Bureau or Department of the City or County Governments, made in this Budget, are subject to the following conditions:

(a) In so far as practicable, all contracts and open market orders for purchases to be charged against such appropriation shall be based upon specifications which are definite and certain as to character and quality, and which conform with standard specifications for the various classes of supplies, materials, fuel and forage already approved or hereafter to be approved by this Board.

(b) That, in so far as such standard specifications may be established by this Board, the Comptroller at the time of certifying to the sufficiency of appropriations out of which such contracts are to be paid, shall also certify that the specifications for such supplies or materials, fuel or forage or other articles for which standard specifications have been prescribed, are in conformance with such standard specifications.

(c) That all open market orders issued by any department for supplies and materials for which standard specifications shall have been prescribed, shall contain a description of the goods ordered, conforming with such standard specifications.

(d) That the Comptroller shall, in auditing claims for goods delivered on open market orders, determine, through inspection or otherwise, whether the goods delivered conform to such standard specifications.

(e) Before advertising for proposals for work to be performed under contract and chargeable to the 1927 Budget, where the cost thereof is estimated to be one thousand dollars (\$1,000) or more, the proposed contract and specifications shall be submitted for approval to the Board of Estimate and Apportionment.

Fourth—All departments of City and County governments for which appropriations for food supplies have been made in the Budget for 1927 shall make an inventory on January 1, 1927, to determine the

number of units of each article of food in stock, either in stores or in the institution, and the cost value thereof, and shall thereafter keep an accurate record showing the cost price per unit, the number of units purchased, and the total cost of all articles of food purchased in each month; that such departments shall keep an accurate record of the quantities of food supplies consumed by patients or inmates, such record, wherever practicable, to be separate and distinct from the record of consumption of food supplies by employees or persons other than patients and inmates; and such departments shall keep an accurate record of the number of units of food supplies and the cost thereof consumed by the employees, such record, wherever practicable, to be entirely distinct from the record of food consumption by patients and inmates, and such departments are directed to submit to the Comptroller, at the first of each quarter, a statement on Budget accounting forms to be submitted by the Comptroller, showing the stock on hand at the beginning of the preceding quarter, the number of units and price per unit and cost amount of the supplies delivered to the department within the preceding quarter, the number of units and cost amount of food supplies consumed by patients or inmates within the preceding quarter, the number of units and cost amount of food supplies consumed by employees within the preceding quarter, the aggregate number of patient or inmate days within the preceding quarter, the aggregate number of employee days within the preceding quarter, the average daily per capita of food supplies consumed by patients or inmates and employees, shown separately, in the preceding quarter, and the total number of units consumed and the cost thereof within the preceding quarter, the stock on hand at the end of the quarter and such other information as may be required upon the Budget accounting forms; provided, however, that this condition shall not apply to administrative departments to which food supply appropriations have been made to be used in payment for meals of employees properly entitled to such meals by reason of overtime work.

Fifth—Repaving—

All appropriations herein authorized for the repaving or resurfacing of streets and avenues shall be expended only in accordance with schedules submitted by the respective Borough Presidents to the Board of Estimate and Apportionment for approval and approved by said Board; and that no contract shall be made for repaving any street or avenue unless the President of the Borough having jurisdiction submits to the Comptroller with such proposed contract evidence showing

that the original pavement in such street or avenue was laid at the expense of the abutting property owners or by local taxation or by bond issues paid for by the locality prior to consolidation; unless the Board of Estimate and Apportionment shall otherwise determine upon presentation of the facts and circumstances affecting each such street or avenue; and further that the cost of all repaving or resurfacing of street railway areas in connection with the above approved work shall be certified separately to the Comptroller on the contracts for or cost of such work, the cost of such repaving or resurfacing of street railway areas to be financed by the issue of special revenue bonds or other certificates of indebtedness, but not by the issue of tax notes, and that the President of each Borough, where such repaving or resurfacing of street railway areas is done, be required to take all necessary steps to enforce the liability of the railway company for such work.

—Be it further Resolved, That the Secretary of this Board is hereby directed to send certified copies of the preceding resolution to each Department, Board, Office and Bureau of the City and County Governments.

Fixation of Salaries Pursuant to Section 56 of the City Charter

Resolved, That the Board of Estimate and Apportionment hereby establishes positions and grades of positions or, in those cases which require action by the Board of Aldermen, recommends to said Board of Aldermen the establishment of positions or grades of positions as follows:

First—That the positions and grades of positions appearing under the classification "Personal Service," and entitled "Salaries Regular Employees," in appropriations made to the different Boards, Offices, Bureaus and Departments of the City and County Governments in the Budget of The City of New York for the year one thousand nine hundred and twenty-seven be established in the different Boards, Offices, Bureaus and Departments of the City or County Governments for the number of incumbents shown in said Budget, except that in all cases where a position or grade of position has previously been established for an unlimited number of incumbents or for a number of incumbents greater than the number shown in said Budget, nothing in this resolution contained shall be deemed to reduce the number of incumbents previously authorized.

Second—That for all positions which appear in this Budget in the appropriations provided for a Board, Office, Bureau or Department,

the rates shown in resolution First (2) and First (3a) of the Terms and Conditions Governing the Budget for 1927 shall be established for an unlimited number of incumbents in the respective Board, Office, Bureau or Department.

Third—That the positions and grades of positions appearing in the Budget for 1927 under the classification "Personal Service," and entitled "Wages Regular Employees," "Salaries Temporary Employees," "Wages Temporary Employees" and "Fees and Commissions," in appropriations made to the different Boards, Offices, Bureaus and Departments of the City or County Governments in the Budget of The City of New York for the year one thousand nine hundred and twenty-seven be established in the different Boards, Offices, Bureaus and Departments of the City or County Governments.

Fourth—Nothing in this resolution contained shall be deemed to nullify or abolish any position or grade of position in the different Boards, Offices, Bureaus and Departments of the City or County Governments which has been previously established, but which does not appear in the Budget for 1927 in "Salaries Regular Employees," "Salaries Temporary Employees," "Wages Regular Employees," "Wages Temporary Employees" and "Fees and Commissions," in appropriations made to the different Boards, Offices, Bureaus and Departments of the City or County Governments in the Budget of The City of New York for the year one thousand nine hundred and twenty-seven.

Fifth—A position or grade of position established in accordance with the four preceding resolutions, shall be established at the rate and for the number of incumbents stated in said resolutions, irrespective of the fact whether the person or persons appointed to or occupying such positions do or do not receive maintenance.

APPENDIX F

MANDATORY PORTIONS OF THE BUDGET

In 1915 an exhaustive analysis of that year's budget was made to discover how much of it was obligatory on the city authorities and how much was subject to their discretion.¹ On the basis of this examination the expenditure requirements of the budget for that year were divided into four classes, as follows:

	AMOUNT	PERCENTAGE
I. Mandatory (Exact amount fixed by law) . . .	\$34,467,889.91	25.9
II. Reasonable expense mandatory (appropriation must be reasonable)	7,492,794.28	5.6
III. Rate mandatory (Rate fixed by state law, though total is discretionary)	7,579,289.51	5.7
IV. Discretionary	83,505,339.34	62.7

Conditions have changed somewhat in this respect since 1915. The Home Rule Amendment of 1923 and the Enabling Act² now give the city authorities some powers over matters which were formerly controlled exclusively by the State Legislature. The home rule powers do not, however, extend to county affairs, education, public utilities, and possibly pensions. It should be noted also that in many instances the appropriations are now in excess of the amount required by law, so that many of the mandatory expenses of Class II and Class III above have ceased to be important.

¹ This was prepared by Commissioner of Accounts Wallstein.

² Chapter 363, Laws of 1924.

APPENDIX G

WORK PROGRAMME BUDGET—1914 EXPERIMENT

In 1913, by way of experiment, the appropriations for three of the bureaus under the jurisdiction of the Borough President of Richmond were made in terms of work to be done rather than men to be hired and supplies to be used. Except for a small overhead staff for which specific provision was made, the three bureaus were to be given complete discretion as to the hiring of their unskilled force. Allotments were made for specific types of work and the year was divided into quarters.

The experiment was inconclusive and was abandoned the next year. The Borough President who had sanctioned the innovation died during the first year.

The tables on the pages which follow are reproduced verbatim from the *Budget for 1914*, pp. 240-243. They indicate the manner in which it was attempted to install this new form of budgeting.

ALLOWANCES MADE ON COST DATA BASIS—

Resolved, That the following terms and conditions shall govern the administration of the cost data budget and supporting schedules for the Bureau of Highways, Bureau of Sewers, Bureau of Street Cleaning, } Office of the President, Borough of Richmond for the year 1914.

- (1) The nature of all expenditures shall fall within the scope of the work classification specified in the supporting schedules.
- (2) The total cost allowance shown therein for any quarter shall not be exceeded within that quarter.
- (3) The total allowance for capital investment shall not be exceeded during the year.

At the end of each quarter of the year there shall be presented to the Board of Estimate and Apportionment, and to the Department of

Finance, a detailed statement of all the operations of the above mentioned bureaus and the cost thereof, together with a reconciliation schedule showing the relation between total costs of work and total expenditures, in such form as may be prescribed by the Board. *Such reports, when made, shall show separately for each item cost the several elements that make up the item cost, including labor, vehicular transportation (hired and departmental), foreman supervision, inspection, administrative supervision, materials, supplies, equipment, and plant charges.* At the same time requests for modifications of the remaining schedules may be presented for consideration and action of the Board, but no change shall be made in the work programme, until first approved by the Board of Estimate and Apportionment.

The quarterly reports of the Bureau of Highways shall show in detail the character and the quantities of the work done and shall include the names of the streets and the quantities of work performed on each street.

The quarterly reports of the Bureau of Sewers shall give the location of basins and sewers cleaned; and the character and quantities of work performed for each location.

The quarterly reports for the Bureau of Street Cleaning shall contain the character and quantities of work done and shall include the names of the streets and the quantities of work done on each street.

At the beginning of each quarter the Bureau of Highways, the Bureau of Sewers, and the Bureau of Street Cleaning shall furnish to the Board of Estimate and Apportionment and to the Department of Finance schedules of work planned for the succeeding quarter.

The Board shall be notified in advance of the commencement and cessation for all regular work covered by the supporting schedules.

The quantity of any item of work performed in a given quarter shall not exceed or underrun by more than 10 per cent. the quantity specified for that item in the supporting schedules, without advance notification to the Board of Estimate and Apportionment.

Be it further

Resolved, That the Board of Estimate and Apportionment hereby recommends to the Board of Aldermen, in accordance with Section 56 of the Greater New York Charter:

That the positions and grades of positions and rates of compensation therefor appearing in the following schedules be established respectively in the Bureau of Highways, Bureau of Sewers and Bureau of Street Cleaning, Office of the President of the Borough of Richmond, for the number of incumbents specified therein.

PRESIDENT, BOROUGH OF RICHMOND, BUREAU OF HIGHWAYS
SUPPORTING SCHEDULE
Summary Year 1914
Maintenance Work Program

FUNCTIONAL WORK CLASSIFICATION	UNITS OF MEASURE	WORK QUANTITIES	AVER. UNIT COST	ITEM COST	PERSONAL SERVICE CHARGES	MATERIALS AND SUPPLIES CHARGES	PLANT AND EQUIPMENT CHARGES
1 Resurfacing and Imp. Mac. Rds., Water Bond	Sq. yds.	....	....	.....	.....	.....	.....
1B Resurfacing and Imp. Mac. Rds., Bit. Binder, 1st Grade	Sq. yds.	....	....	.....	.....	.....	.....
1C Resurfacing and Imp. Mac. Rds., Bit. Binder, 2d Grade	Sq. yds.	....	....	.....	.....	.....	.....
2 Resurfacing and Imp. Mac. Rds., Old Stone, New Ser.	Sq. yds.	1,500	.09	\$135.00	\$112.32	\$6.75	\$15.93
2A Resurfacing and Imp. Mac. Rds., Old Stone, Bonded with Sand and Ashes	Sq. yds.	4,000	.040	160.00	152.00	8.00	....
3 Small Macadam Repairs, Hand Rammed	Sq. yds.	18,000	.20	3,600.00	2,476.00	684.80	438.20
3A Small Macadam Repairs, Water Bd., with Roller	Sq. yds.	500	.23	115.00	77.62	23.00	14.38
3B Small Macadam Repairs, Bit. Bd., without Roller	Sq. yds.	15,000	.25	2,750.00	2,175.00	1,102.50	472.50
3C Small Macadam Repairs, Bit. Bd., with Roller	Sq. yds.	3,000	.28	840.00	504.00	210.00	126.00
4 Repair of Frost Heaves	Sq. yds.	3,000	.75	2,250.00	1,777.50	472.50	....
5 Repairing Wings	Sq. yds.	385,000	.022	8,470.00	7,320.00	....	1,150.00
5A Removing Weeds	Sq. yds.	200,000	.033	6,600.00	480.00	120.00	....
6 Removing Loose Stone from Mac. Rds.	Miles	40	4.50	180.00	180.00	....	....
7 Cleaning Ditches and Gutters	Sq. yds.	300,000	.033	9,900.00	9,900.00	....	....
8 Surfacing Mac. Rds. with Sand or Grits	Sq. yds.	700,000	.007	4,900.00	2,801.60	2,098.40	....
9 Repairing Washouts	Cu. yds.	20,000	.500	10,000.00	9,780.00	220.00	....
10 Repairing Bridges	.....	....	....	2,750.00	1,707.75	709.50	332.75

11 Cleaning Culverts	.....	....	....	1,200.00	1,195.20	4.80	....
11B Rep. and Rebuilding Culverts and Basins	.....	....	....	1,500.00	975.00	375.00	150.00
12 Relaying Crosswalks	Sq. ft.	700	.150	105.00	101.00	4.00	....
13 Relaying Cobble Gutters	Sq. yds.	100	.500	50.00	47.50	2.50	....
13A Relaying Brick Gutters	Sq. yds.	100	.75	75.00	71.10	3.90	....
14 Relaying Gutters with Second Hand Block	Sq. yds.	500	.50	250.00	225.25	24.75	....
16 Block Pavement on Concrete	Sq. yds.	100	.60	60.00	42.60	17.40	....
16A Block Pavement without Concrete	Sq. yds.	1,000	.60	600.00	579.00	21.00	....
17 Sprinkling	Miles	4,200	2.03	8,526.00	6,820.80	....	1,705.20
18 Turnpiking	Sq. yds.	380,000	.015	5,700.00	4,630.00	....	1,070.00
19 Resetting Curb	Ln. ft.	500	.12	60.00	59.94	.06	....
19A Resetting Flag	Sq. ft.	1,500	.040	60.00	57.18	2.82	....
20 Tarvia	Sq. yds.	300,000	.04	12,000.00	3,936.00	8,064.00	....
21 General Care of Highways	.....	....	....	7,000.00	6,930.00	70.00	....
22 Old Stone Unbonded	Sq. yds.	20,000	.075	1,500.00	1,500.00	....	....
23 Surfacing with Screenings and 3/4-inch Stone	Sq. yds.	75,000	.022	1,650.00	912.45	737.55	....
24 Removal of Snow and Ice	Sq. yds.	40,000	.050	2,000.00	2,000.00	....	....
25 Surfacing Icy Rds. with Ashes, etc.	Sq. yds.	550,000	.003	1,650.00	1,485.00	165.00	....
27 Brick Pavement Repairs	Sq. yds.	1,000	1.25	1,250.00	925.00	325.00	....
28 Asphalt Pavement Repairs	Sq. yds.	1,000	1.00	1,000.00	750.00	250.00	....
33 Bituminous Pavement Repairs	Sq. yds.	100	1.50	150.00	87.00	43.50	19.50
35A Sur. with Binder, Tar Base, Bonded with Stone	Sq. yds.	311,077	.158	49,150.17	13,350.00	27,300.17	8,500.00
36 Wood Block Pavement Repairs	Sq. yds.	200	1.35	270.00	159.30	110.70	....
40 Iron Slag Block Pavement Repairs	Sq. yds.	200	1.35	270.00	183.37	86.63	....
41 Temporary Repairs Due to Unusual Traffic	Sq. yds.	7,500	.40	3,000.00	1,200.00	1,500.00	300.00
Totals	.....	....	....	\$146,726.17	\$87,666.48	\$44,764.23	\$14,295.46

PRESIDENT, BOROUGH OF RICHMOND, BUREAU OF HIGHWAY

SUPPORTING SCHEDULE—Continued

Summary Year 1914

Maintenance Work Program

FIRST QUARTER	UNITS OF MEASURE	WORK QUANTITIES	AVER. UNIT COST	ITEM COST	PERSONAL SERVICE CHARGES	MATERIALS AND SUPPLIES CHARGES	PLANT AND EQUIPMENT CHARGES
1 Resurfacing and Imp. Mac. Rds., Water Bond	Sq. yds.	....	....	....	....	....	....
1B Resurfacing and Imp. Mac. Rds., Bit. Binder, 1st Grade	Sq. yds.	....	....	....	....	....	....
1C Resurfacing and Imp. Mac. Rds., Bit. Binder, 2d Grade	Sq. yds.	....	....	....	....	....	....
2A Resurfacing and Imp. Mac. Rds., Old Stone, Bonded with Sand and Ashes	....	400	.04	\$16.00	\$15.20	\$0.80	....
3 Small Macadam Repairs, Hand Rammed	Sq. yds.	7,200	.20	1,440.00	990.42	273.90	\$175.68
4 Repair of Frost Heaves	Sq. yds.	3,000	.75	2,250.00	1,777.50	472.50	....
5 Repairing Wings	Sq. yds.	11,000	.022	242.00	209.10	....	32.90
6 Removing Loose Stone from Macadam Rds.	Miles	16	4.50	72.00	72.00	....	....
7 Cleaning Ditches and Gutters	Sq. yds.	85,000	.033	2,805.00	2,805.00	....	....
8 Surfacing Mac. Rds. with Sand or Grits	Sq. yds.	130,000	.007	910.00	520.12	389.88	....
9 Repairing Washouts	Cu. yds.	4,400	.50	2,200.00	2,151.60	48.40	....
10 Repairing Bridges	....	....	....	460.00	285.66	118.68	55.66

11 Cleaning Culverts	....	....	....	350.00	348.00	1.40	....
11B Rep. and Rebuilding Culverts and Basins	....	....	....	300.00	195.00	75.00	30.00
12 Relaying Crosswalks	Sq. ft.	175	.15	26.25	25.25	1.00	....
14 Relaying Gutters with Second Hand Block	Sq. yds.	50	.50	25.00	22.50	2.50	....
16 Block Pavement on Concrete	Sq. yds.	10	.60	6.00	4.26	1.74	....
16A Block Pavement without Concrete	Sq. yds.	100	.60	60.00	57.90	2.10	....
18 Turnpiking	Sq. yds.	5,000	.015	75.00	60.90	....	14.10
19 Resetting Curb	Lin. ft.	100	.12	12.00	11.99	.01	....
19A Resetting Flag	Sq. ft.	300	.04	12.00	11.44	.56	....
21 General Care of Highways	....	....	....	2,000.00	1,980.00	20.00	....
23 Surfacing with Screenings and 3/4-in. Stone	Sq. yds.	6,000	.022	132.00	73.00	59.00	....
24 Removal of Snow and Ice	Sq. yds.	30,000	.050	1,500.00	1,500.00	....	....
25 Surfacing Icy Rds. with Ashes, Etc.	Sq. yds.	440,000	.003	1,320.00	1,188.00	132.00	....
27 Brick Pavement Repairs	Sq. yds.	100	1.25	125.00	92.50	32.50	....
28 Asphalt Pavement Repairs	Sq. yds.	100	1.00	100.00	75.00	25.00	....
33 Bituminous Pavement Repairs	Sq. yds.	10	1.50	15.00	8.72	4.34	1.94
36 Wood Block Pavement Repairs	Sq. yds.	20	1.35	27.00	15.93	11.07	....
40 Iron Slag Block Pavement Repairs	Sq. yds.	20	1.35	27.00	18.34	8.66	....
41 Temporary Repairs Due to Unusual Traffic	Sq. yds.	1,250	.40	500.00	200.00	250.00	50.00
Totals	....	....	....	\$17,007.25	\$14,715.93	\$1,931.04	\$360.28

799TS CARE OF HIGHWAYS . . . \$171,784.17

Tax Levy Allowance \$146,726.17 146,726.17
 Special and Trust Fund Allowance 25,058.00

BUREAU OF HIGHWAYS

NUMBER OF INCUMBENTS	POSITION, SALARY OR WAGE RATE	CHARGEABLE TO
1	Superintendent, \$3,000 per annum . . .	Tax Levy
1	Chief Clerk, \$2,000 per annum . . .	Tax Levy
1	Senior Clerk, \$1,320 per annum . . .	Tax Levy
1	Stenographer and Typewriter, \$1,500 per annum . . .	Tax Levy
1	Stenographer and Typewriter, \$900 per annum . . .	Tax Levy
1	Cashier, \$1,500 per annum . . .	Tax Levy
1	Assistant Engineer, \$2,250 per annum . . .	Tax Levy
1	Clerk, \$1,200 per annum . . .	Res. and Rep. Spec. Fd., \$1,200
5	Inspectors, \$1,350, \$1,500, \$1,650 per annum . . .	
1	Inspector, \$1,350 per annum . . .	Res. and Rep. Spec. Fd., \$1,350
1	Leveler, \$1,650 per annum . . .	Res. and Rep. Spec. Fd., \$1,650
Unlimited	Foreman, \$3, \$3.25, \$3.50, \$3.75, \$4, \$4.25, \$4.50 per diem . . .	
Unlimited	Assistant Foreman, \$3, \$3.25, \$3.50 per diem . . .	
Unlimited	Laborers, \$2, \$2.25, \$2.50, \$2.75, \$3 per diem . . .	
Unlimited	Steam Roller Engineers, \$4.50, \$4.75, \$5 per diem . . .	
Unlimited	Stokers, \$3, \$3.25, \$3.50 per diem . . .	
Unlimited	Drivers, \$2.50, \$3 per diem . . .	
Unlimited	Horse and Vehicle, with Driver, \$3, \$3.25, \$3.50 per diem . . .	
Unlimited	Team and Vehicle with Driver, \$5, \$5.25, \$5.50, \$5.75, \$6 per diem . . .	

APPENDIX H

FINANCIAL REQUIREMENTS OF THE CITY OF NEW YORK FOR
PERMANENT IMPROVEMENTS AS OF JANUARY 2, 1927

What follows summarizes the permanent improvements projected by the various departments of the city for initiation or completion within the next ten years, and shows the estimated costs of these projects. It was found that with the exception of the Board of Water Supply, not one of the city departments has a complete ten year programme. Only a few departments have plans extending beyond a single year. The reason for this is two-fold. In the first place, due to the city's financial condition, only the most urgent appropriations are made and the departments, therefore, plan only for an amount in dollars which they believe they have some chance of getting. Secondly, apart from the factor of replacements, future extensions must be predicated entirely on the growth of the city as to population, area, and type of development and the difficulties of estimating these factors discourage the department heads from making forecasts.

Under the "pay-as-you-go policy,"¹ public improvements are financed from Corporate Stock, Tax Notes, or Assessment Bonds.² Wherever possible, the proposed indebtedness for projected improvements has been segregated along these lines.

The following summary shows the requirements of the departments completed, the figures being for varying periods as outlined further on in this report:

	CORPORATE STOCK	ASSESSMENT AND TAX NOTES
Board of Transportation	\$565,848,000	.....
Board of Water Supply	347,934,000	.....
Board of Education	143,291,490	.....
Department of Docks	20,175,000	.....
Department of Health	2,355,000	\$3,060,000
Street Cleaning (3 departments)	9,950,000	566,800
Fire Department . . . . .	....	6,301,999
Police Department . . . . .	....	4,860,795
Assessment projects . . . . .	....	38,000,000
Total	\$1,089,553,490	\$52,789,594

¹ See above, p. 28.² See above, p. 30.

Figures from the Department of Plant and Structures are not included. The Chief Engineer reports that the work of computing the cost of future requirements is now definitely under way but that it will be some time before it is completed. The Tri-borough Bridge project and the East River Tunnel are the most important and most costly improvements this department has under consideration.

The following departments, which are not touched upon, had requests pending as of January 1, 1927, for funds as shown:

	PENDING REQUESTS
Department of Public Markets	\$1,010,000
Hunter College	2,250,000
College of the City of New York	1,069,756
Department of Public Welfare	3,932,000
Bellevue and Allied Hospitals	4,518,000
Metropolitan Museum of Art	125,000
President, Borough of Manhattan	4,245,000
President, Borough of Brooklyn	4,770,000
President, Borough of Bronx	9,186,000
President, Borough of Queens (Other than Street Cleaning)	2,370,000
President, Borough of Richmond (Other than Street Cleaning)	1,639,000
Department of Correction	1,925,000
Department of Parks, Manhattan	484,000
Department of Parks, Brooklyn	6,040,126
Department of Parks, Bronx	3,943,000
Department of Parks, Queens	3,922,001
Department of Parks, Richmond	120,000
Queens Public Library	500,000
Armory Board	501,500
Total	\$52,550,384

These two lists include all departments that make more or less regular demands upon the city treasury for public improvements. There are in addition the county offices, the Museum of Natural History, and the Zoological Society which have demands at infrequent intervals for new structures.

BOARD OF TRANSPORTATION

The Board of Transportation operates under the Rapid Transit Law. It is charged with the duty of providing for the construction of new subways and of executing the obligations of the city under Contracts 3 and 4 with the existing rapid transit companies. The Board has estimated its capital requirements for new subways (to 1936) as follows on next page.

ESTIMATE OF MONEY REQUIRED FOR PRESENT SUBWAY CONSTRUCTION PROGRAMME TO BE COMPLETED BY 1931 AND INCLUSIVE OF FURTHER CAPITAL REQUIREMENTS TO 1936

Cost of construction, acquisition of real estate for line, yards, shops, power houses, etc., recapture of existing Culver line, equipment, including rolling stock, power plants, signal and switching systems, etc., and administration and engineering expense . . .	\$506,765,000
Cost of capital prior to initial operation	76,015,000
Cost of additional equipment, 1932	10,095,000
Cost of additional equipment, 1933	17,217,000
Cost of additional equipment, 1934	17,217,000
Cost of additional equipment, 1935	26,473,000
Cost of additional equipment, 1936	32,066,000

\$685,848,000

Amount heretofore appropriated, approximately 120,000,000

Estimated amount required for new system to 1936 \$565,848,000

BOARD OF WATER SUPPLY

The per capita consumption of water in the various boroughs of New York City during 1925 was as follows:

Manhattan and Bronx	151 gallons
Brooklyn	113 "
Queens	129 "
Richmond	162 "
All boroughs	136 "

This represents an increase of 35 per cent. since 1916.

The total consumption of water in New York City from 1916-1925, inclusive, is shown in the following tabulation:

YEAR	USE IN GALLONS DAILY	INCREASE IN USE OVER 1916
1916	566,000,000	
1917	585,000,000	19,000,000
1918	659,000,000	93,000,000
1919	660,000,000	94,000,000
1920	735,000,000	769,000,000
1921	731,000,000	165,000,000
1922	743,000,000	177,000,000
1923	762,000,000	196,000,000
1924	786,000,000	220,000,000
1925	847,000,000	281,000,000

The total safe yield of all the sources which now supply the city is 1,100 million gallons daily. This figure is made up as follows:

	GALLONS DAILY
Catskill system including the Bronx and Byram rivers	600,000,000
Croton system	336,000,000
Ridgewood system	90,000,000
Borough sources	30,000,000
Private water companies	44,000,000
	1,100,000,000

Of the above sources, only the Ridgewood may be developed so as to produce more water. A complete utilization of the ground waters of that system would yield about 30,000,000 gallons daily of additional water, but among the supplies furnished by the borough sources and the private water companies are some that are too hard for either domestic or industrial use. These will ultimately be abandoned. The complete development of the Ridgewood system on Long Island may be accomplished whenever necessity requires. The quantity of additional water which can thus be secured is, however, so small as not to have a bearing on the general question of making adequate provision for future needs.

During 1925, the city used water at the average rate of 847,000,000 gallons per day. The available margin, consequently, was 1,100,000,000 less 847,000,000 or 253,000,000 gallons daily. At the annual rate of increase of 31,000,000 gallons daily, this margin or reserve will meet the requirements for about eight years. It is proposed, therefore, to develop a supply from sources east of the Hudson River and north of the present Croton watersheds, at an estimated cost of \$347,934,000.

This total expenditure will be extended over a period of about 15 years, and the annual expenditures will be approximately as follows:

SUMMARY OF REQUIREMENTS

First year	\$2,000,000
Second year	6,000,000
Third year	15,000,000
Fourth year	35,000,000
Fifth year	50,000,000
Sixth year	45,000,000
Seventh year	40,000,000
Eighth year	30,000,000
Ninth year	25,000,000
Tenth year	20,000,000
Eleventh to fifteenth year (annually)	20,000,000

BOARD OF EDUCATION

The complexities of municipal financing problems are well illustrated in the Department of Education. Planning in advance is particularly important in providing proper school facilities. If sites for new schools are not purchased as new sections are opened, the city may find it necessary to pay increased prices. On the other hand, the policy of purchasing in advance of actual need ties up capital, with a resultant loss of interest, and exempts the property from taxation at a date earlier than necessary with a resultant loss of city revenue. Such policy incurs a risk that the property may prove ultimately to be unsuited to the needs of the situation with a probable loss of at least the costs of acquisition.

The Board is working on the basis of a three-year development programme. This is recognized as being somewhat theoretical for the reason that each year's requirement will undoubtedly be pruned to meet the exigencies of the city's financial condition. As a concrete example, the tabulation below, which calls for upwards of \$60,000,000 for the current year, is now before the Board of Estimate and Apportionment, but is being considered on a so-called restricted basis. The Board of Estimate and Apportionment is considering \$35,915,000 to meet immediate requirements while the remainder, although still before the Board, will probably be eliminated.

Sites acquired by condemnation proceedings are usually not paid for until several years after their acquisition.¹ Thus the yearly requirements are to some extent obscured by the necessity of making back payments. In the following table the sum of \$3,000,000 is included to cover costs of such past acquisitions. The programme, while estimating the annual requirements for construction, does not allocate the costs of acquisition of sites by years for the reason that there is no way of telling when actual payments must be made.

A further complication arises from the fact that the Board has surrendered school buildings in Manhattan to the Sinking Fund Commission and will continue to do so from time to time as residential sections become converted into business sections. These surrenders of valuable business properties constitute a credit for which the Board of Education receives no direct allowance. For this reason no attempt has been made to measure these credits in the programme.

¹ See above, p. 72 ff.

SUMMARY OF THREE-YEAR PROGRAMME

	1927	1928	1929	SITES	TOTAL
Elementary school, high school and special school buildings . . .	\$55,477,000	\$33,687,000	\$33,871,000	\$7,607,930	\$130,642,930
Improving playgrounds . . .	1,825,000	1,000,000	525,000	....	3,350,000
Awards, etc. . . . .	.....	.....	.....	3,000,000	3,000,000
Pianos and organs	200,000	100,000	100,000	....	400,000
Salaries of inspectors, draftsmen, etc.	2,578,725	1,560,915	1,510,920	....	5,650,560
Surveys, borings, etc.	114,000	68,000	66,000	....	248,000
Total	\$60,194,725	\$36,415,915	\$36,072,920	\$10,607,930	\$143,291,490

Under the city's present fiscal policy, as fixed in Section 169 of the Charter, the cost of school sites and buildings is payable out of the proceeds of Corporate Stock.

DEPARTMENT OF DOCKS

Dock building is financed entirely out of the proceeds of Corporate Stock. The structures generally become self-sustaining so that the courts may exclude such stock from the operation of the constitutional debt limit.¹ The department, however, does not attempt to plan ahead for as long a period as ten years, for such a plan would be highly speculative in so far as the later years of the period are concerned. A notable case in point was the construction of the Staten Island piers which cost the city \$30,000,000 and which are now idle. This project was urged by shippers, business interests, and city officials. Everyone agreed at the time that the Staten Island waterfront was in line for development. Yet, when the piers were completed, conditions had changed completely and there is now no demand whatever for these expensive piers.

The Department has a four-year building programme worked out for which portions of the funds required have been requested to begin work this year. In addition the Chief Engineer has estimated what he believes will be necessary beyond this programme. The costs are con-

¹ See below, Appendix O.

jectural. The following tabulation shows the amounts which will be needed:

SUMMARY OF REQUIREMENTS

Pier No. 3, shed and wall	\$1,400,000
Pier No. 34	2,125,000
Pier No. 38 — 42	200,000
Pier No. 48 — 50 (2 piers)	6,000,000
Piers No. 9 and 10 (to be replaced by one)	1,000,000
Gravesend Bay wall	800,000
Pier new No. 32	1,950,000

Four-year building programme to be financed in three years \$13,475,000

ESTIMATED FURTHER IMPROVEMENTS

Produce station	\$3,000,000
Pier new No. 44 N. R.	1,200,000
Consolidation of ferries	1,000,000
New England Company consolidation	1,500,000

Total \$6,700,000

SUMMARY

Requirements under programme	\$13,475,000
Requirements under further estimate	6,700,000

Total \$20,175,000

In addition, there is before the Department the general question of the Jamaica Bay improvement which may require the expenditure of large sums of money within the next ten years. The Federal Government is making substantial appropriations for the development of this harbor. At present there is no way of foretelling just what the future financial requirements on this score are likely to be.

DEPARTMENT OF HEALTH

This Department differs from most other departments in that its financial requirements for some years to come have to do entirely with replacements. There are pending before the Board of Estimate and Apportionment requests aggregating \$1,855,000 in Corporate Stock for replacements and improvements in the hospitals under the jurisdiction of this department, and \$2,560,000 in Tax Note funds. The latter item includes \$2,500,000 for a new headquarters building, the site for which is already available. If the total of \$4,415,000 is appropriated, it is estimated that the addition of another million will cover all requirements for ten years.

SUMMARY OF REQUIREMENTS

Corporate Stock	\$1,855,000	
Tax Notes		\$2,560,000
Corporate Stock (future estimate)	500,000	
Tax Notes (future estimate)		500,000
Total	\$2,355,000	\$3,060,000

DEPARTMENT OF STREET CLEANING

The principal problem of the Department of Street Cleaning is the sanitary disposition of refuse. Under a temporary permit from the War Department, the bulk of the garbage from the three large boroughs is at present being disposed of by dumping at sea. According to a report prepared by the Commissioner of Street Cleaning, the Borough of Queens was in April, 1926, disposing of 68 per cent. of its garbage and rubbish by incineration, Richmond 58 per cent., while Manhattan, The Bronx, and Brooklyn were disposing of only 22 per cent. in this manner.

At present efforts are being made to correct this unsatisfactory situation. Aside from the financial question, the problem of sites for incinerators is troublesome. It is generally agreed that incineration should take the place of the present methods of disposal, but the growth of the city has reached a point which makes it difficult to choose a site. Every proposal results in a storm of protest which sometimes culminates in successful court action restraining the city from using a particular site for incinerators. In addition, sites are much more costly than they would have been had they been purchased years ago in conformity with a comprehensive plan.

In his report of April, 1926, the Commissioner stated that at least 31 incinerators would be required in the next four years. At that time, 14 plants were in existence so that 17 more were needed. He recommended appropriations totalling \$4,345,000 for the five boroughs to acquire several sites in addition to those then on hand and to construct 10 new incinerators. This appropriation was made as recommended during 1926.

The future requirements for this purpose are grouped here regardless of the fact that the appropriations when made will go in part to the Department of Street Cleaning, to the Borough President of Queens, and to the Borough President of Richmond.¹

¹ Since 1902 these two borough presidents have had jurisdiction over garbage collection and disposal in their respective boroughs — a division which makes a unified plan difficult.

SUMMARY OF REQUESTS FOR 1927

	CORPORATE STOCK	TAX NOTES
Site and garage building, Bronx	...	\$157,500
2 sites and 2 garage buildings, Brooklyn	...	290,000
Site and 1 incinerator, Bronx	\$1,050,000	....
Queens — 2 new incinerators	730,000	....
Queens site and new garage for incinerator	...	100,000
Queens addition of unit to Arverne incinerator	160,000	....
Richmond — additional land for incinerator	25,000	....
Richmond — new incinerator unit	190,000	....
Richmond — changes in 2 existing incinerators	75,000	....
Richmond service building at incinerator	20,000	....
Richmond section house, erection	...	10,000
Richmond pavement, etc., at incinerator	...	9,300
Total	\$2,250,000	\$566,800

Further requirements to complete the programme are estimated as follows:

2 additional incinerators in Manhattan	\$2,000,000	....
2 sites for above if city land not available	700,000	....
4 additional incinerators in Brooklyn	4,000,000	....
1 additional incinerator, Bronx	1,000,000	....
Sites for foregoing 5 incinerators . . . . .	...	....
Total	\$9,950,000	\$566,800

FIRE DEPARTMENT

The Fire Department requires new fire houses as territories are developed. A further continuing requirement of this Department is the extension of the fire alarm telegraph system into new territories, and the occasional purchase of fire boats. In addition, the replacement of the overhead fire alarm system has not been completed. This work progresses as the telephone and telegraph companies build conduits which are shared with the city.

The Department has pending before the Board of Estimate and Apportionment requests for eight sites and buildings at a total estimated cost of \$600,000. It has also requested \$250,000 for a new fire boat and \$945,999.81 for fire alarm telegraph installation in 1927. To complete a three year building programme, the Department estimates that it will require a further sum of \$1,952,000 for 26 buildings and 14 sites. Under the present fiscal policy of the city, the structural requirements of this Department are all payable out of the proceeds of tax notes.

SUMMARY OF REQUIREMENTS

Pending requests for 1927 programme — fire houses and sites . . .	\$600,000.00
Pending requests for new fire boat	250,000.00
Estimated additional requirements for sites and buildings to complete a three-year programme	1,952,000.00
Current requirement for fire alarm telegraph (two years)	945,999.81
Estimated requirements for five years, fire alarm telegraph	2,544,000.00
Total	\$6,291,999.81

POLICE DEPARTMENT

On January 1, 1927, the Police Department had pending requests before the Board of Estimate and Apportionment for \$1,534,000 to cover its building and signal system requirements for the current year. The Department has also prepared a five-year programme, beginning January 1, 1928, which is given below. It must be pointed out that this compilation does not include any estimate of the future cost of further extensions of the traffic signal system. This will undoubtedly require large sums of money.

SUMMARY OF REQUIREMENTS FOR SIX YEARS

	TAX NOTES
13 proposed new station houses to be erected in the boroughs of Manhattan, Bronx, Brooklyn, Queens, and Richmond	\$1,000,000.00
For the extension of the traffic light signal systems in Manhattan, Bronx, Brooklyn, and Queens	534,000.00
Total 1927	\$1,534,000.00
Tentative schedule of the requirements of the Police Department for the next five years insofar as they relate to new precinct station houses and replacements of old station houses, and to new launches and replacements of old launches.	
Borough of Manhattan — 3 new station houses to replace present ones	\$560,000.00
Borough of the Bronx — 2 new station houses	320,000.00
1 new station house to replace present one	160,000.00
Borough of Brooklyn — 5 new station houses to replace present ones	875,000.00
Borough of Queens — 2 new station houses	300,000.00
Borough of Richmond — 1 new station house	150,000.00
1 new station house to replace present one	150,000.00
Training, stable site, and building	150,000.00
Police Academy — site and building	300,000.00
Launches — six replacements, estimated cost	70,000.00
Launches — six additional, estimated cost	70,000.00
Total	\$3,105,000.00

TELEGRAPH BUREAU

For increase of underground cable capacity and the replacement of wornout cables in all boroughs	221,795.79
Total requirements for five years beginning January 1, 1928 . .	3,326,795.79
Requirements for 1927	1,534,000.00
Total	\$4,860,795.79

ASSESSMENT FUNDS

The city requires a large working fund for the various types of assessment work which it performs. These include the Street Improvement Fund and the Street and Park Opening Fund. These funds now aggregate about \$62,000,000. About \$30,000,000 is required annually with a three-year turnover, but this period is lengthening and the demands on the funds are consequently increasing. The demands are likely to grow for the problem of scientific sewage disposal is being met by assessment and much remains to be done in this direction. The Chief Engineer of the Board of Estimate and Apportionment estimates that the funds should be increased to about \$100,000,000, so that an additional \$38,000,000 could be provided.

APPENDIX I

DIGEST OF OFFICIAL AND UNOFFICIAL RECOMMENDATIONS RELATING TO THE BUDGETARY PROCEDURE OF NEW YORK CITY

New York City's budget content and financial machinery have frequently been considered by legislative and unofficial citizens' committees. Various improvements have from time to time been urged by these committees and by municipal research organizations. Typical inquiries and recommendations¹ have been the following:

R. Fulton Cutting, *Next Step in the Development of Budget Procedure* (Bureau of Municipal Research, December, 1914, 141 pp.). Recommends (after full discussion):

1. That the "budget" carry with it summaries showing in brief form the financial programme for the following year; a "work-programme" to indicate what "public service" and "public improvements" are to be undertaken; a plan for "revenue" raising and "borrowing"; a balance sheet, and fund and debt statements; an appropriation ordinance, in proper form, with the terms and conditions attached. Supporting data are needed to show what the Board of Estimate proposes as a work programme for the following year.

2. That the form of appropriation ordinance be modified so as to provide for the exercise of more effective control over expenditures, and at the same time to leave to executive officers opportunity to use business discretion in management.

William A. Prendergast (then City Comptroller), "Financial Administration, Budget and Tax Rate," *Proceedings of the Academy of Political Science*, April, 1915 (pp. 155-159):

"The difference between our budget and other budgets consists in this, that while we present a statement of our anticipated city expenditures, we do not accompany it with any general statement of the sources of revenue. . . . We are now facing a situation which will require such a statement."

¹ Recommendations which are obsolete (because of changes in budgetary procedure) are omitted.

Report of Joint Legislative Committee for the Investigation of the Finances of the City of New York. Submitted, February 7, 1916. The report is signed by Elon R. Brown, George Cromwell, Charles W. Wicks, Charles C. Lockwood, Robert F. Wagner, Thomas H. Cullen, William J. Moier, Walter W. Law, Jr., H. E. H. Brenton, Nathan D. Perlman, Nathan D. Shapiro.

The committee condemned the practice of keeping large quantities of short-term paper on the market. In order to make this unnecessary, it presented a bill making tax collections take place on January 1, and July 1.

Frederick A. Cleveland, *Some Results and Limitations of Central Financial Control: Nine Years' Experience in New York City* (Bureau of Municipal Research, January, 1917, 63 pp.).

Discusses defects in method of preparing annual appropriation bill (1) brings into review only part of city's activities and requirements; only 40 per cent. of total expenditures made subject of scrutiny; entire bill carries only 80 per cent. of all authorizations; (2) preparation of budget put into hands of staffs of Board of Estimate instead of requiring executive officers to prepare, submit, explain, and defend proposals; thwarts efforts to force the executive to plan and render strict account of activities; (3) initiative is taken by an irresponsible staff of a central board, the conclusions reached are arbitrary, and the method of control is one of minute limitations and restrictions on management instead of critical review . . . with provisions for enforcing strict accountability as to manner in which public money is expended. The true budget process wholly reversed. The reviewing board becomes the proposer. Limitations and restrictions cannot take place of careful planning. There should be a definite work programme as well as a plan for financing.

Arnold W. Lahee, *New York City Budget*, (Bureau of Municipal Research, 1917, 154 pp.).

"It is reasonable to suggest that the Board of Aldermen be given at least some critical power over the budget or that the present farce be abandoned."

Strictly viewed, New York City's budget is no budget at all. It is a highly itemized act of appropriations. A true budget should contain retrospect pictures of present conditions and a forecast of finances on a balance sheet basis.

JOHN F. HYLAN, *Testimony before Joint Legislative Committee on Taxation and Retrenchment, 1920* (79 pp., typewritten).

"We believe that everything should be put in one common fund and disbursed."

It is better to adopt the budget prior to election; otherwise the succeeding administration in opposition might be embarrassed by insufficient appropriations, or if an administration of the same party is elected, it might favor itself with a too liberal appropriation.

The present budget is no more than detailed act of appropriation; it is only an expenditure programme; it does not attempt to balance estimated expenditures against expected revenues.

The budget does not contain all of the proposed expenditures for current purposes. Certain expenses are paid out of the revenues of individual departments. It does not contain all proposed expenditures and payments, such as for water supply, bridge maintenance, debt service and pensions.

Report of Joint Legislative Committee to Investigate Administration of the City of New York. 1921-22. (No. 107, 288 pp.). Schuyler M. Meyer, Chairman; Elon R. Brown, counsel.

First report. Proposes that executive or spending power of city be separated from appropriating, recommending:

A Board of Finance of nine members elected at large for six years, three to be elected every other year; three to live in Manhattan, three in Brooklyn, and one in each other borough; that the Board of Estimate and Apportionment and the Sinking Fund Commission be abolished and their powers transferred to the Board of Finance; that the Board, on recommendation of the Mayor or on its own motion, have the power to abolish, modify or consolidate the various departments of the city; that the Board have power of confirmation over appointments to the Board of Taxes and Assessments whose tenure of office is to be the same as for members of the Board of Education; that the Board of Finance have power to remove city officers for cause by a two-thirds vote; that the Mayor transmit a budget for the support of the entire city and county governments to the Board of Finance, and have the power of veto, subject to being overridden by a two-thirds vote; that the office of President of the Board of Aldermen be abolished, and that the Board choose its own presiding officer; that all mandatory legislation fixing charges on city or counties for services of purely local nature be repealed and that such further legislation be restrained by constitutional amendment; that the Mayor, Comptroller, and Borough Presidents retain their executive and administrative powers unimpaired. The minority report disagreed.

Report of the New York Charter Commission, with a Draft of a Charter for the City of New York, 1923. (The members of the Commission were: Henry De Forrest Baldwin, Howard Lee McBain, Joseph M. Levine, J. J. Keller, George Cromwell, Herman A. Metz, Arthur S. Somers, Edward M. Bassett, H. Pushae Williams, Louis L. Delafield, William Barclay Parsons.

The Commission's draft charter proposed (Sec. 31) the appointment by the Board of Estimate of a Commissioner of the Budget, who should be charged with the duty of preparing the proposed annual budget; "and for that purpose every board, department, and commission of the City and of each of the counties therein and every officer not subject to any board, department, or commission, and also the Board of Education, from time to time as the Commissioner of the Budget may require, shall furnish to the Commissioner all such reports, statements, and estimates as to actual and estimated expenditures and revenue of its or his office, board, department or commission and all other information pertinent to the actual or probable requirements of appropriations therefor as the Commissioner may request."

The draft charter contained detailed provisions seeking to make New York's budget a full statement of receipts and expenditures.

The Comptroller is required to transmit to the Commissioner of the Budget before September 15 a statement setting forth in detail:

"1. Tax limit. A computation of the amount which, in conformity with the provisions of the State Constitution and of this Act, the City shall then be empowered to raise by taxation for the ensuing year and such estimate, as he may be able to make, of the amount it will be empowered to raise as of the third day of March of the ensuing year, in each case, distinguishing between the amount which must be comprised in the constitutional limitation of a percentage of the assessed valuation of real and personal estate and amounts which may be raised in excess thereof.

"2. Debt-incurring power within debt limit. An estimate, as of the third day of March of the ensuing year, of the amount, if any, for which the City consistently with the provisions of the Constitution and of this Act, may incur further indebtedness, otherwise than by the issue of revenue and Special Revenue Bonds and Tax Notes, which shall include a statement of the City's power in this respect as of the last date for which accurate or approximately accurate figures are available.

"3. Revenues. An estimate of the revenues of the City for the ensuing year, from any and every source whatsoever and of every office, department, commission or other body and of every fund under its control or to a beneficial interest in which the City is entitled, other than revenue from taxes, including the estimated receipts of the General Fund for the Reduction of Taxation or such fund or account of like

nature as shall be maintained and including also the estimated receipts of the several sinking funds. In his statement the Comptroller shall set forth in parallel columns (a) the items of accrued and estimated revenue of the current year and (b) the items of estimated revenue of the ensuing year.

"4. Expenditures. An itemized computation of the known and estimated amounts which the City will be required to expend during the ensuing year for all and every of the purposes enumerated in Subdivisions 1, 2, 7 and 8, of Section 141 and of all other amounts which it will be required so to expend by reason of any law, contract, the judgment of any court or, in reasonable probability, under like compulsion. In such computation, allowance shall be made for any amounts of maturing indebtedness, the refunding of which the Comptroller may recommend, the items whereof shall be specified."

The budget prepared by the Commissioner of the Budget shall exhibit in parallel columns:

"(a) the items and amounts appropriated by the Budget for the current year, (b) the departmental estimates for the ensuing year and (c) the items and amounts of the proposed appropriations for the ensuing year. The proposed Budget shall also exhibit in parallel columns: (a) *all items of accrued and estimated revenues of the current year, to the control or benefit of which the City may be entitled, (b) the items of revenues as estimated by him for the ensuing year, and (c) the departmental estimates of revenues for the ensuing year.* With such proposed Budget, the Commissioner of the Budget shall transmit one original of each of the departmental estimates and one original of the Comptroller's statement above provided for." (Sec. 139).

APPENDIX J

CASH RECEIPTS OF THE CITY OF NEW YORK FOR THE YEARS
1915, 1918, 1921, 1924, 1925, 1926

TABLE I
CASH RECEIPTS OF CITY OF NEW YORK, YEAR 1915

	TOTAL	SINKING FUNDS	APPROPRIATION FUNDS	GENERAL FUND	SPECIAL REVENUE BOND FUNDS	CORPORATE STOCK AND TAX NOTE FUNDS	SPECIAL ACCOUNTS
1. General Taxes							
a. Real estate	\$144,945,881.39	.....	\$144,945,881.39	.....	....	....	....
b. Special franchises	8,000,340.97	.....	8,000,340.97	.....	....	....	....
c. Personal property	4,953,244.96	.....	4,953,244.96	.....	....	....	....
2. Special Taxes							
a. Bank and moneyed capital	3,607,183.12 ¹	.....	.....	\$3,607,183.12	....	....	....
b. City's share from state	.....	.....	.....	.....	....	....	....
Income	.....	.....	.....	.....	....	....	....
Mortgage	834,259.06	.....	.....	830,784.06	....	....	\$3,475.00
Corporation	.....	.....	.....	.....	....	....	....
Real estate brokers and salesmen	.....	.....	.....	.....	....	....	....
Motor vehicles	.....	.....	.....	.....	....	....	....
Excise	5,248,040.94	.....	.....	.....	....	....	5,248,040.94
3. Fees, Licenses, Permits, Privileges, etc.							
a. Licenses	778,707.09	\$281,845.89	.....	496,861.20	....	....	....
b. Permits	143,104.35	.....	.....	119,085.85	....	....	24,018.50
c. Privileges and concessions	546,261.52	202,221.60	.....	230,031.45	....	....	114,008.47
4. Assessments							
a. Local public improvements	8,064,210.35	32,305.49	.....	.....	....	\$7,876,900.12	155,004.74
b. Specific, for labor and material furnished by city	902,197.56	.....	.....	640.00	....	871.25	900,686.31
5. Fines and Forfeitures							
a. Fines and penalties	717,589.31 ²	717,589.31	.....	.....	....	....	....
b. Forfeitures	144,217.34	1,870.00	.....	142,347.34	....	....	....
6. Subventions and Donations							
a. State contributions	2,221,671.94	.....	.....	2,115,679.73	....	....	105,992.21
b. Private donations and legacies	100,000.00	.....	.....	.....	....	....	100,000.00

7. Rentals							
a. Rentals of public utilities	2,371,655.82	513,871.79	.....	.....	....	.....	1,857,784.03
b. Dock and ship rents	4,878,674.36	4,878,674.36	.....	.....	....	.....	.....
c. Ferry leases	277,751.95	277,751.95	.....	.....	....	.....	.....
d. Franchise fees	1,109,425.56	562,854.92	.....	546,570.64	....	.....	275,831.45
e. Tolls on bridges	277,385.48	.....	.....	1,554.03	....	.....	.....
f. Leases of markets	232,391.82	232,391.82	.....	.....	....	.....	50,079.81
g. All other rentals	323,790.09	271,166.24	.....	2,544.04	....	.....	.....
8. Earnings of Public Service Enterprises							
a. Water supply	13,078,983.20	8,514,145.68	.....	275,328.90	....	.....	4,289,508.62
b. Municipal ferries	1,014,849.43	1,014,849.43	.....	.....	....	.....	.....
c. Municipal railways and trolleys	.....	.....	.....	.....	....	.....	.....
9. Earnings of General Departments							
a. Fees and commissions	885,213.47	70,378.75	.....	813,820.22	....	.....	1,014.50
b. Sale of maps, transcripts, publications and by-products	281,441.44	.....	.....	61,584.95	....	.....	219,856.49
10. Miscellaneous General Earnings							
a. Revenue from investments	8,300.66	2,716.82	.....	.....	....	.....	5,583.84
b. Interest on deposits (bank)	890,738.11	879,877.46	.....	10,860.65	....	.....	.....
c. Other interest and penalty charges	3,752,728.63	1,265.86	.....	3,749,190.88	....	92.68	2,179.21
d. Premium on sales corporate stock	903,309.67	.....	.....	903,309.67	....	.....	.....
11. Miscellaneous Accruals, Charges, Deductions, Refunds, and Reimbursements							
a. Applicable to tax reduction	339,634.98	.....	.....	339,634.98	....	.....	.....
b. Restricted to specific disbursement	2,602,559.38	.....	514,501.34	.....	\$108,936.54	1,938,381.17	40,740.33
12. Sale of Assets							
a. City-owned real estate	150,627.34	6,230.00	.....	.....	....	.....	144,397.34
b. Waste material	82,649.75	.....	.....	80,494.04	....	.....	2,155.71
Total Receipts except Borrowings	\$214,669,021.04	\$18,462,007.37	\$158,413,968.66	\$14,327,505.75	\$108,936.54	\$9,816,245.22	\$13,540,357.50
13. Borrowings							
Net increase on indebtedness	54,244,716.94	.....	.....	.....	....	.....	.....

¹ No moneyed capital tax in 1915.² Includes court fees.

TABLE II
CASH RECEIPTS OF CITY OF NEW YORK, YEAR 1918

	TOTAL	SINKING FUNDS	APPROPRIATION FUNDS	GENERAL FUND	SPECIAL REVENUE BOND FUNDS	CORPORATE STOCK AND TAX NOTE FUNDS	SPECIAL ACCOUNTS
1. General Taxes							
a. Real estate	\$190,194,494.75	.....	\$190,194,494.75	.....	.....	.....	.....
b. Special franchises	7,735,655.42	.....	7,735,655.42	.....	.....	.....	.....
c. Personal property	4,051,449.08	.....	4,051,449.08	.....	.....	.....	.....
2. Special Taxes							
a. Bank and moneyed capital	4,271,154.34 ¹	.....	.....	\$4,271,154.34	.....	.....	.....
b. City's share from state	.....	.....	.....	.....	.....	.....	.....
c. Income	.....	.....	.....	.....	.....	.....	.....
d. Mortgage	752,990.34	.....	.....	604,757.84	.....	.....	\$148,232.50
e. Corporation	2,759,785.42	.....	.....	2,759,785.42	.....	.....	.....
f. Real estate brokers and salesmen	.....	.....	.....	.....	.....	.....	.....
g. Motor vehicles	934,906.87	.....	.....	934,906.87	.....	.....	.....
h. Excise	8,280,307.94	.....	.....	737,993.89	.....	.....	7,542,314.05
3. Fees, Licenses, Permits, Privileges, Etc.							
a. Licenses	741,850.50	\$303,838.00	.....	437,992.50	.....	.....	.....
b. Permits	139,513.45	.....	.....	139,513.45	.....	.....	.....
c. Privileges and concessions	588,638.03	200,000.40	.....	264,127.92	.....	.....	124,499.71
4. Assessments							
a. Local public improvements	6,031,054.76	973.94	.....	.....	.....	\$5,923,937.60	106,143.22
b. Specific, for labor and material furnished by the city	960,451.77	.....	.....	.....	.....	320.08	960,131.69
5. Fines and Forfeitures							
a. Fines and penalties	479,718.55	479,718.55	.....	.....	.....	.....	.....
b. Forfeitures	153,873.98	4,617.94	.....	149,256.04	.....	.....	.....
6. Subventions and Donations							
a. State contributions	2,526,607.07	.....	.....	2,321,191.13	.....	.....	205,415.94

7. Rentals	2,392,232.56	517,942.41	.....	.....	.....	.....	1,874,290.15
a. Rentals of public utilities	6,198,581.24	6,198,581.24	.....	.....	.....	.....	.....
b. Dock and ship rents	253,674.61	253,674.61	.....	.....	.....	.....	.....
c. Ferry leases	913,258.97	336,463.03	.....	576,795.94	.....	.....	185,854.25
d. Franchise fees	185,854.25	.....	.....	.....	.....	.....	.....
e. Tolls on bridges	283,077.43	283,077.43	.....	.....	.....	.....	.....
f. Leases on markets	392,779.52	350,153.28	.....	14,626.03	.....	.....	28,000.21
g. All other rentals	13,468,435.36	8,535,324.54	.....	379,432.72	.....	.....	4,553,678.10
8. Earnings of Public Service Enterprises	1,199,831.91	1,199,831.91	.....	.....	.....	.....	.....
a. Water supply	.....	.....	.....	.....	.....	.....	.....
b. Municipal ferries	.....	.....	.....	.....	.....	.....	.....
c. Municipal railways and trolleys	.....	.....	.....	.....	.....	.....	.....
9. Earnings of General Departments	1,352,247.44	273,382.35	.....	1,020,275.18	.....	.....	58,589.91
a. Fees and commissions	326,973.74	.....	.....	94,775.03	.....	.....	232,198.71
b. Sale of maps, transcripts, publications, and by-products	.....	.....	.....	.....	.....	.....	.....
10. Miscellaneous General Earnings	4,892.82	3,356.03	.....	127.00	.....	.....	1,409.79
a. Revenue from investments	675,402.71	666,103.23	.....	9,299.48	.....	.....	.....
b. Interest on deposits (bank)	2,304,167.66	224.81	.....	2,303,911.08	.....	3.47	28.30
c. Other interest and penalty charges	.....	.....	.....	.....	.....	.....	.....
11. Miscellaneous Accruals, Charges, Deductions, Refunds, and Reimbursements	440,881.27	.....	.....	440,881.27	.....	.....	.....
a. Applicable to tax reduction	1,329,564.57	.....	482,659.26	.....	\$39,947.44	465,327.38	341,630.49
b. Restricted to specific disbursement	.....	.....	.....	.....	.....	.....	.....
12. Sale of Assets	27,188.65	.....	.....	.....	.....	.....	27,188.65
a. City owned real estate	71,191.66	.....	.....	.....	.....	.....	5,162.73
b. Waste material	.....	.....	.....	.....	.....	.....	.....
Total Receipts except Borrowings	\$252,422,678.64	\$19,607,283.70	\$192,464,258.51	\$17,526,832.06	\$39,947.44	\$6,389,588.53	\$16,394,768.40
13. Borrowings	8,283,210.24	.....	.....	.....	.....	.....	.....
Net increase in indebtedness	.....	.....	.....	.....	.....	.....	.....

¹ No moneyed capital tax in 1918.

TABLE III
CASH RECEIPTS OF CITY OF NEW YORK, YEAR 1921

	TOTAL	SINKING FUNDS	APPROPRIATION FUNDS	GENERAL FUND	SPECIAL REVENUE BOND FUNDS	CORPORATE STOCK AND TAX NOTE FUNDS	SPECIAL ACCOUNTS
1. General Taxes	\$246,538,044.90	.....	\$246,538,044.90	.....	....	.....	.....
a. Real estate	6,225,260.17	.....	6,225,260.17	.....	....	.....	.....
b. Special franchises	2,980,323.19	.....	2,980,323.19	.....	....	.....	.....
c. Personal property	6,256,430.69	.....	6,256,430.69	.....	....	.....	.....
d. Real estate of corporations	.....	.....	.....	.....	....	.....	.....
2. Special Taxes	5,912,134.05 ¹	.....	.....	\$5,912,134.05	....	.....	.....
a. Bank and moneyed capital	.....	.....	.....	.....	....	.....	.....
b. City's share from state	.....	.....	.....	.....	....	.....	.....
Income	11,615,780.22	.....	.....	11,615,780.22	....	.....	.....
Mortgage	1,378,507.95	.....	.....	1,378,507.95	....	.....	.....
Corporation	8,631,274.48	.....	.....	8,631,274.48	....	.....	.....
Real estate brokers and salesmen	.....	.....	.....	.....	....	.....	.....
Motor vehicles	1,146,310.19	.....	.....	1,146,310.19	....	.....	.....
Excise	24,555.32	.....	.....	23,294.07	....	.....	\$1,261.25
3. Fees, Licenses, Permits, Privileges, Etc.	906,841.51	\$359,503.90	.....	547,337.61	....	.....	.....
a. Licenses	280,199.87	.....	.....	280,199.87	....	.....	.....
b. Permits	650,143.12	156,994.62	.....	349,945.10	....	.....	143,203.40
c. Privileges and concessions	.....	.....	.....	.....	....	.....	.....
4. Assessments	9,073,162.38	747.60	.....	.....	....	\$8,925,152.45	147,262.33
a. Local public improvements	.....	.....	.....	.....	....	798.33	1,720,909.85
b. Specific, for labor and materials furnished by the city	1,721,708.18	.....	.....	.....	....	.....	.....
5. Fines and Forfeitures	1,365,864.43	1,365,864.43	.....	.....	....	.....	.....
a. Fines and penalties	486,888.71	203,144.93	.....	283,713.78	....	.....	.....
b. Forfeitures	.....	.....	.....	.....	....	.....	.....
6. Subventions and Donations	17,190,500.44	.....	.....	.....	....	.....	17,190,500.44
a. State contributions	.....	.....	.....	.....	....	.....	.....

7. Rentals	2,982,238.05	1,051,907.41	.....	.....	....	.....	1,930,330.64
a. Rentals of public utilities	6,768,393.13	6,768,393.13	.....	.....	....	.....	.....
b. Dock and slip rents	292,047.30	292,047.30	.....	.....	....	.....	.....
c. Ferry leases	1,515,383.36	684,906.47	.....	\$33,473.89	....	.....	.....
d. Franchise fees	146,474.85	.....	.....	.....	....	.....	146,474.85
e. Tolls on bridges	435,549.61	.....	.....	.....	....	.....	.....
f. Leases on markets	.....	.....	.....	.....	....	.....	.....
g. All other rentals	531,252.15	419,481.84	.....	39,633.02	....	.....	72,137.29
8. Earnings of Public Service Enterprises	15,886,990.86	9,973,547.77	.....	479,954.53	....	.....	5,433,488.56
a. Water supply	1,833,750.86	1,833,750.86	.....	.....	....	.....	.....
b. Municipal ferries	412,441.72	.....	.....	.....	....	.....	412,441.72
c. Municipal railways and trolleys	.....	.....	.....	.....	....	.....	.....
9. Earnings of General Departments	2,960,923.40	637,987.77	.....	1,931,829.76	....	.....	391,105.87
a. Fees and commissions	386,175.51	.....	.....	100,782.97	....	.....	285,392.54
b. Sale of maps, transcripts, publications and by-products	.....	.....	.....	.....	....	.....	.....
10. Miscellaneous General Earnings	1,954.52	220.45	.....	120.00	....	.....	1,614.07
a. Revenue from investments	1,142,665.03	1,090,495.67	.....	52,166.36	....	.....	.....
b. Interest on deposits (bank)	3,932,746.43	.....	.....	3,878,370.48	....	34.97	54,340.98
c. Other interest and penalty charges	1,873,850.00	.....	.....	.....	....	.....	1,873,850.00
d. Premiums from sale of corporate stock	.....	.....	.....	.....	....	.....	.....
11. Miscellaneous Accruals, Charges, Deductions, Refunds, and Reimbursements	621,008.63	.....	.....	621,008.63	....	516,218.08	.....
a. Applicable to tax reduction	1,134,544.71	.....	289,331.32	.....	\$14,678.69	.....	314,316.62
b. Restricted to specific disbursement	.....	.....	.....	.....	....	.....	.....
• Sale of Assets	3,236,866.86	10,480.20	.....	.....	....	.....	3,226,386.66
a. City-owned real estate	39,044.75	.....	.....	37,559.89	....	.....	1,484.86
b. Waste material	.....	.....	.....	.....	....	.....	.....
12. Total Receipts except Borrowings	\$368,501,601.53	\$25,285,229.96	\$262,289,590.27	\$38,123,396.85	\$14,678.69	\$9,442,203.83	\$33,346,501.93
13. Borrowings	.....	.....	.....	.....	....	.....	.....
Net increase in indebtedness	.....	.....	.....	.....	....	.....	.....

¹ No moneyed capital tax this year.

TABLE IV
CASH RECEIPTS OF CITY OF NEW YORK, YEAR 1924

	TOTAL	SINKING FUNDS	APPROPRIATION FUNDS	GENERAL FUND	SPECIAL REVENUE BOND FUNDS	CORPORATE STOCK AND TAX NOTE FUNDS	SPECIAL ACCOUNTS
1. General Taxes	\$282,920,334.50	.....	\$282,920,334.50	.....	....	.....	.....
a. Real estate	10,481,978.81	.....	10,481,978.81	.....	....	.....	.....
b. Special franchises	2,314,978.87	.....	2,314,978.87	.....	....	.....	.....
c. Personal property	7,494,071.84	.....	7,494,071.84	.....	....	.....	.....
d. Real estate of corporations	.....	.....	.....	.....	....	.....	.....
2. Special Taxes	7,393,451.08	.....	.....	\$7,393,451.08	.....	.....	.....
a. Bank and moneyed capital	.....	.....	.....	.....	....	.....	.....
b. City's share from state	12,025,373.20	.....	.....	12,025,373.20	.....	.....	.....
c. Income	3,608,540.98	.....	.....	3,608,540.98	.....	.....	.....
d. Mortgage	6,286,286.02	.....	.....	6,286,286.02	.....	.....	.....
e. Corporation	176,041.68	.....	.....	176,041.68	.....	.....	.....
f. Real estate brokers and salesmen	2,131,595.26	.....	.....	2,131,595.26	.....	.....	.....
g. Motor vehicles	.....	.....	.....	.....	....	.....	.....
h. Excise	.....	.....	.....	.....	....	.....	.....
3. Fees, Licenses, Permits, Privileges, Etc.	1,016,931.90	\$358,391.00	.....	658,640.90	.....	.....	.....
a. Licenses	783,398.13	275,767.04	.....	498,500.09	.....	.....	\$14,131.00
b. Permits	997,277.83	233,848.42	.....	560,227.24	.....	.....	203,202.17
c. Privileges and concessions	.....	.....	.....	.....	....	.....	.....
4. Assessments	9,675,063.57	19.75	.....	.....	....	\$8,586,968.48	88,075.34
a. Local public improvements	.....	.....	.....	.....	....	1,039.37	1,579,932.74
b. Specific for labor and material furnished by the city	1,764,217.43	.....	.....	183,245.32	.....	.....	.....
5. Fines and Forfeitures	1,317,375.50	1,317,375.50	.....	.....	....	.....	.....
a. Fines and penalties	305,218.18	8,060.00	.....	297,158.18	.....	.....	.....
b. Forfeitures	.....	.....	.....	.....	....	.....	.....
6. Subventions and Donations	19,762,925.21	.....	.....	.....	....	.....	19,762,925.21
a. State contributions	.....	.....	.....	.....	....	.....	.....

7. Rentals	2,627,648.88	566,741.91	.....	.....	....	.....	2,060,906.97
a. Rentals of public utilities	6,864,156.57	6,864,156.57	.....	.....	....	.....	.....
b. Dock and slip rentals	363,674.23	363,674.23	.....	.....	....	.....	.....
c. Ferry leases	1,907,228.59	715,765.54	.....	1,191,461.05	.....	.....	.....
d. Franchise fees	139,182.50	.....	.....	.....	....	.....	139,182.50
e. Tolls on bridges	780,549.02	.....	.....	.....	....	.....	.....
f. Leases of markets	596,836.76	424,149.42	.....	34,755.08	.....	8,824.25	129,108.01
g. All other rentals	.....	.....	.....	.....	....	.....	.....
8. Earnings of Public Service Enterprises	18,296,546.33	10,877,110.79	.....	592,837.11	.....	.....	6,826,598.43
a. Water supply	2,767,044.17	2,767,044.17	.....	.....	....	.....	.....
b. Municipal ferries	978,365.87	.....	.....	.....	....	.....	978,365.87
c. Municipal railways and trolleys	.....	.....	.....	.....	....	.....	.....
9. Earnings of General Departments	4,434,374.59	773,575.12	.....	3,072,786.28	.....	215.28	587,797.91
a. Fees and commissions	407,485.51	.....	.....	247,406.38	.....	166.00	159,913.13
b. Sale of maps, transcripts, publications, and by-products	.....	.....	.....	.....	....	.....	.....
10. Miscellaneous General Earnings	36,797.09	.....	.....	21,917.04	.....	.....	14,880.05
a. Revenue from investments	950,828.02	908,934.66	.....	41,893.36	.....	.....	.....
b. Interest on deposits (bank)	4,153,668.79	.....	.....	4,082,121.99	.....	32.55	101,514.25
c. Other interest and penalty charges	799,431.40	.....	.....	.....	....	.....	799,431.40
d. Corporate stock and serial bonds	.....	.....	.....	.....	....	.....	.....
11. Miscellaneous Accruals, Charges, Deductions, Refunds, and Reimbursements	788,093.29	.....	.....	788,093.29	.....	.....	.....
a. Applicable to tax reduction	2,377,484.65	.....	363,959.31	.....	\$29,835.56	822,768.78	1,160,921.00
b. Restricted to specific disbursement	.....	.....	.....	.....	....	.....	.....
12. Sale of Assets	453,363.57	.....	.....	.....	....	.....	453,363.57
a. City-owned real estate	14,675.85	.....	.....	13,896.95	.....	340.90	438.00
b. Waste material	.....	.....	.....	.....	....	.....	.....
Total Receipts except Borrowings	\$420,192,493.67	\$27,235,063.14	\$303,575,323.33	\$43,871,228.48	\$29,835.56	\$10,420,355.61	\$35,060,687.55
13. Borrowings	.....	.....	.....	.....	....	.....	.....
Net increase in indebtedness	.....	.....	.....	.....	....	.....	.....

TABLE V
CASH RECEIPTS OF CITY OF NEW YORK, YEAR 1925

	TOTAL	SINKING FUNDS	APPROPRIATION FUNDS	GENERAL FUND	SPECIAL REVENUE BOND FUNDS	CORPORATE STOCK AND TAX NOTE FUNDS	SPECIAL ACCOUNTS
1. General Taxes							
a. Real estate	\$297,061,028.80	.....	\$297,061,028.80	.....	....	....	....
b. Special franchises	11,179,191.82	.....	11,179,191.82	.....	....	....	....
c. Personal property	2,231,400.48	.....	2,231,400.48	.....	....	....	....
d. Real estate of corporations	7,817,063.15	.....	7,817,063.15	.....	....	....	....
2. Special Taxes							
a. Bank and moneyed capital	7,467,897.03	.....	.....	\$7,467,897.03	....	....	....
b. City's share from state	15,040,733.50	.....	.....	15,040,733.50	....	....	....
Income	4,061,540.26	.....	.....	4,061,540.26	....	....	....
Mortgage	7,562,092.05	.....	.....	7,562,092.05	....	....	....
Corporation	214,083.49	.....	.....	214,083.49	....	....	....
Real estate brokers and salesmen	2,409,464.71	.....	.....	2,409,464.71	....	....	....
Motor vehicles	.....	.....	.....	.....	....	....	....
Excise	.....	.....	.....	.....	....	....	....
3. Fees, Licenses, Permits, Privileges, Etc.							
a. Licenses	1,396,907.22	\$734,936.00	.....	661,971.22	....	....	....
b. Permits	909,487.07	382,475.62	.....	527,011.45	....	....	\$174,231.98
c. Privileges and concessions	1,056,804.45	280,752.85	.....	601,619.62	....	....	....
4. Assessments							
a. Local public improvements	14,158,718.21	180.64	.....	.....	....	\$14,054,892.37	103,645.20
b. Specific, for labor and materials furnished by the city	2,825,581.42	.....	.....	365,077.52	....	6,330.03	2,454,173.87
5. Fines and Forfeitures							
a. Fines and penalties	1,344,226.70	1,334,201.70	.....	.....	....	....	....
b. Forfeitures	247,077.05	.....	.....	247,032.81	....	....	44.24
6. Subventions and Donations							
a. State contributions	20,709,051.21	.....	.....	.....	....	....	20,709,051.21

[illegible]

TABLE VI
CASH RECEIPTS OF CITY OF NEW YORK, YEAR 1925

	TOTAL	SINKING FUNDS	APPROPRIATION FUNDS	GENERAL FUND	SPECIAL REVENUE BOND FUNDS	CORPORATE STOCK AND TAX NOTE FUNDS	SPECIAL ACCOUNTS
1. General Taxes							
a. Real estate	\$328,165,996.63	.....	\$328,165,996.63	.....	.....	.....	.....
b. Special franchise	11,426,880.81	.....	11,426,880.81	.....	.....	.....	.....
c. Personal property	2,208,150.48	.....	2,208,150.48	.....	.....	.....	.....
d. Real estate of corporations	8,489,365.97	.....	8,489,365.97	.....	.....	.....	.....
2. Special Taxes							
a. Bank and moneyed capital	7,460,675.02	.....	.....	\$7,460,675.02	.....	.....	.....
b. City's share from state							
Income	18,186,432.83	.....	.....	18,186,432.83	.....	.....	.....
Mortgage	4,722,020.81	.....	.....	4,722,020.81	.....	.....	.....
Corporation	7,641,698.03	.....	.....	7,641,698.03	.....	.....	.....
Real estate brokers and salesmen	96,537.99	.....	.....	96,537.99	.....	.....	.....
Motor vehicles	2,724,059.70	.....	.....	2,724,059.70	.....	.....	.....
Excise	.....	.....	.....	.....	.....	.....	.....
3. Fees, Licenses, Permits, Privileges, Etc.							
a. Licenses	1,528,101.93	\$783,091.85	.....	745,010.08	.....	.....	.....
b. Permits	814,916.75	300,861.55	.....	514,055.20	.....	.....	\$150,047.26
c. Privileges and concessions	999,764.80	243,564.72	.....	606,152.82	.....	.....	.....
4. Assessments							
a. Local public improvements	18,683,279.14	873.45	.....	.....	.....	\$18,599,214.13	83,191.56
b. Specific, for labor and materials furnished by the city	1,863,780.77	.....	.....	246,023.48	.....	2,553.97	1,615,198.32
5. Fines and Forfeitures							
a. Fines and penalties	1,390,331.80	1,390,331.80	.....	.....	.....	.....	.....
b. Forfeitures	526,927.69	50.00	.....	302,956.18	.....	.....	223,921.51
6. Subventions and Donations							
a. State contributions	21,560,670.38	.....	.....	.....	.....	.....	21,560,670.38

7. Rentals									
a. Rentals and public utilities	2,651,403.70	570,956.65	.....	.....	.....	.....	.....	.....	2,080,447.05
b. Dock and slip rents	7,206,999.08	7,206,999.08	.....	.....	.....	.....	.....	.....	.....
c. Ferry leases	471,417.25	471,417.25	.....	.....	.....	.....	.....	.....	.....
d. Franchise fees	2,093,618.73	774,994.06	.....	1,318,624.68	.....	.....	.....	.....	139,415.30
e. Tolls on bridges	139,415.30	.....	.....	.....	.....	.....	.....	.....	.....
f. Leases of markets	422,349.54	422,349.54	.....	.....	.....	.....	.....	.....	.....
g. All other rentals	715,655.32	564,952.62	.....	27,721.29	.....	4,323.08	.....	.....	118,638.33
8. Earnings of Public Service Enterprises									
a. Water supply	21,276,884.93	12,470,873.32	.....	1,491,021.59	.....	.....	.....	.....	7,314,985.02
b. Municipal ferries	3,063,437.78	3,063,437.78	.....	.....	.....	.....	.....	.....	843,833.65
c. Municipal railways, and trolleys	843,535.65	.....	.....	.....	.....	.....	.....	.....	.....
9. Earnings of General Departments									
a. Fees and commissions	4,813,405.62	910,267.98	.....	3,516,942.04	.....	128.34	.....	.....	386,067.26
b. Sale of maps, transcripts, publications, and by-products	326,336.23	.....	.....	182,959.92	.....	171.75	.....	.....	143,204.56
10. Miscellaneous General Earnings									
a. Revenue from investments	40,839.40	307.31	.....	31,383.35	.....	.....	.....	.....	9,148.74
b. Interest on deposits (bank)	1,128,884.17	1,023,467.08	.....	105,387.09	.....	.....	.....	.....	167,721.57
c. Other interest and penalty charges	6,192,758.12	.....	.....	6,024,980.36	.....	.....	.....	.....	794,175.00
d. Premium	794,175.00	.....	.....	.....	.....	.....	.....	.....	.....
11. Miscellaneous Accruals, Charges, Deductions, Refunds, and Reimbursements									
a. Applicable to tax reduction	878,189.24	.....	.....	878,189.24	.....	.....	.....	.....	.....
b. Restricted to specific disbursement	3,344,122.05	.....	.....	343,225.08	.....	236,183.59	.....	.....	2,741,733.68
12. Sale of Assets									
a. City owned real estate	1,796,760.70	.....	.....	.....	.....	.....	.....	.....	1,796,760.70
b. Waste material	116,479.81	.....	.....	106,451.48	.....	261.40	.....	.....	9,766.93
Total Receipts except Borrowings	\$496,808,497.15	\$30,200,791.03	\$350,633,618.97	\$56,929,288.18	\$22,979.70	\$18,842,892.45	\$40,178,926.82		
13. Borrowings									
Net increase in indebtedness	.....	.....	.....	.....	.....	.....	.....	.....	.....

Note: This statement does not include "trust fund" receipts, but otherwise includes the receipts reported as paid into sinking funds and city treasury. It excludes "inter se" transactions — being those between funds — insofar as they could be identified in the comptroller's report.

APPENDIX K

DETAILED CLASSIFICATION OF SOURCES OF RECEIPTS OF NEW YORK CITY

I. General taxes

- A. Real estate
- B. Special franchise
- C. Personal property

II. Special taxes

- A. Bank and moneyed capital
- B. City's share from state
 - 1. Income (personal)
 - 2. Mortgage
 - 3. Corporation (income)
 - 4. Real estate brokers and salesmen
 - 5. Motor vehicles

III. Licenses, permits, privileges, etc.

A. Licenses

- 1. Licenses to engage in the business of trading in commodities
 - a. Auctioneer
 - b. Farm and market produce dealer
 - c. Ice dealer
 - d. Open air market, push cart
 - e. Peddler:
 - Carrying merchandise
 - Horse and wagon
 - Push cart
 - f. Junk dealer:
 - Horse drawn cart
 - Push cart dealer
 - Junk boat
 - Junk shop
 - g. Pawnbroker
 - h. Second hand dealer
 - i. Stand:
 - Elevated railroad stand
 - Newspaper kiosk and small stand
 - Stoop stand
 - Miscellaneous

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- 2. Licenses to engage in the business of rendering specified services
 - a. Employment agencies
 - b. Massage parlor
 - c. Massage operator
 - d. Hoist
 - e. Electrician
 - f. Public porter
 - g. Runner for hotel or steamship
 - h. Caddy
 - i. Stand, bootblack chair
- 3. Licenses to exhibit or operate shows and entertainments, or to own such places
 - a. Common show
 - b. Motion picture:
 - Motion picture exhibition
 - Motion picture theatre
 - Open air motion picture theatre
 - c. Theatrical
 - d. Concert
 - e. Manager of charity entertainment
 - f. Itinerant musician
 - g. Hand organ
- 4. Licenses to own or operate other places of amusement, recreation, etc.
 - a. Bowling alley
 - b. Billiard and pool table
 - c. Shooting gallery
 - d. Bathing establishment
 - e. Dancing:
 - Public dance
 - Public dance hall
 - Public dance serial
- 5. Licenses to own or drive vehicles
 - a. Dirt cart
 - b. Express
 - c. Express driver
 - d. Express agent
 - e. Public cart:
 - Horse
 - Motor
 - f. Public hack driver
 - g. Stage coach
 - h. Public cab
 - i. Sightseeing car
 - j. Little taxicab

6. Police licenses
7. Pistol licenses (city's share from state)

B. Permits

1. Permits to erect and construct above the surface
 - a. Illuminated signs
 - b. Sign structures
 - c. Temporary sheds
 - d. Road crossings
2. Permits to construct below the surface
 - a. Street vaults
 - b. Pipe crossings
3. Permits to make installations, connections, and attachments
 - a. Sewers and drains
 - b. Tapping
4. Dumping permits
5. Permits for minor special uses of city property

C. Privileges and concessions

1. Privileges to maintain overhead or underground structures
 - a. Bridges connecting buildings
 - b. Minor tunnels
 - c. Pipe lines and conduits
 - d. Catenary bridges
 - e. Poles and wires
2. Privileges to use government property other than as tenant
 - a. Park privileges and concessions
 - b. Ferry privileges
 - c. Bridge privileges
 - d. Renting chairs and ponies at Coney Island
 - e. Telephone booths in public buildings
 - f. Newspaper, bootblack, and fruit stands, and lunch counters
 - g. Weighing scales in comfort stations, and platform scales in streets
 - h. Railroad station platforms on city property
 - i. Institutional boat at dock
 - j. Filling in privileges
 - k. Scow trimming privileges
 - l. Use of ground at Plum Island

IV. Assessments

A. Local public improvements

1. Sewers, grading, paving
2. Acquiring title to properties for streets and parks

B. Specific — for labor and materials furnished by city

1. Restoring pavements (Charter, Section 391.)
2. Reimbursements
 - a. From railroad companies for repairing and repaving within railroad area
 - b. "Permits"
 - c. "Excess bills"
 - d. Surveys of unsafe buildings
 - e. Tax sale expenses
 - f. Construction of private sewers
 - g. Planting trees in city streets

V. Fines and forfeitures

A. Fines

1. Fines imposed by courts
 - a. Collected by Children's Courts
 - b. Collected by Magistrate's Courts
 - c. Collected by Court of Special Sessions
 - d. Collected by Court of General Sessions
 - e. Collected by City Court
 - f. Collected by Sheriff
 - g. Collected by County Clerk
2. Fines imposed by departments
 - a. Collected by Commissioner of Jurors
 - b. Collected by Police Department
 - c. Collected by Bureau of Penalties
3. Fines imposed by institutions
 - a. Collected by New York Penitentiary
 - b. Collected by district prison
 - c. Collected by city prisons
 - d. Collected by workhouse

B. Forfeitures

- a. Forfeited recognizances and bail
- b. Forfeited deposits on tax sales
- c. Forfeited deposits on specifications and forms
- d. Forfeited deposits on contracts
- e. Forfeited deposits to cover costs of testing auto tires
- f. Forfeited security deposits
- g. Unclaimed deposits
- h. Uncollected jury checks
- i. Old bank balances

VI. Subventions and donations

A. State contributions: school moneys

- a. Apportionment under laws of 1920, Chapters 165, 680
- b. Apportionment of Smith-Hughes fund
- c. Maintenance of training schools:
 - Special high school fund
 - Hunter College special high school fund

B. Donations

VII. Rentals

A. Rentals of public utilities: subway companies

- a. Interest on bonds, Contracts 1 and 2
- b. Redemption of bonds, Contracts 1 and 2

B. Dock and slip rents

1. Leases for a term of years

- a. On property along North River
- b. On property along East River
- c. On property along Harlem River
- d. On property in Bronx
- e. On property in Brooklyn
- f. On property along Jamaica Bay
- g. On property in Richmond

2. Revocable privileges

- a. On property along North River
- b. On property along East River
- c. On property along Harlem River
- d. On property in Bronx
- e. On property in Brooklyn
- f. On property in Queens
- g. On property in Richmond

3. Wharfage

C. Ferry leases

- a. On those operating in North River
- b. Miscellaneous

D. Franchise fees

1. Street railroad companies

- a. Operating in Manhattan
- b. Operating in Bronx
- c. Operating in Brooklyn
- d. Operating in Queens
- e. Operating in Richmond

2. Omnibus companies

- a. Operating in Manhattan
- b. Operating in Manhattan and Queens
- c. Operating in Bronx
- d. Operating in Queens
- e. Operating in Brooklyn
- f. Operating in Richmond

3. Tunnels, Pennsylvania Railroad Company

4. Light and power companies

- a. In Manhattan
- b. In Brooklyn
- c. In Richmond

5. New York Steam Company

6. Public service (stock quotations, telegraph, etc.)

7. Mail transportation tubes

8. Dummy engines

E. Tolls on bridges; Brooklyn Bridge

F. Leases of markets

- a. Market cellar
- b. Market stands
- c. Market lots

G. All other rentals

1. Unimproved lands

- a. Former town of Gravesend
- b. Water lots
- c. Ground in the several boroughs

2. Real estate and buildings

- a. Houses
- b. Park buildings

3. Halls and rooms in government buildings

- a. Armories
- b. Auditoriums in school buildings
- c. Rooms in Municipal Building
- d. Rooms in Bergen Building

4. Miscellaneous structures, etc.

- a. Steeplechase Pier, Coney Island
- b. Stadium of City College
- c. "Property under jurisdiction of Board of Transportation"
- d. New York Connecting Railroad
- e. Staten Island ferry boat
- f. Miscellaneous rentals of Department of Water Supply, Gas and Electricity

5. Equipment

VIII. Earnings of public service enterprises

A. Water supply

- a. "Frontage and meter rates"
- b. "Building purposes"
- c. "Hose"
- d. "Shipping purposes"
- e. "Street sprinkling"
- f. Setting water meters

B. Municipal ferries: tolls

- a. Astoria ferry
- b. Classon Point ferry
- c. Grand Street ferry
- d. Staten Island ferry
- e. Rockaway Beach and Barren Island
- f. Greenpoint ferry
- g. 39th Street ferry

C. Municipal railways, trolleys, and bus lines

1. Passenger receipts

- a. Staten Island and Midland Railroad Company
- b. Trackless trolley system, Staten Island
- c. Williamsburg Bridge trolley line

2. Revenue from advertising in cars

- a. Staten Island and Midland Railroad Company
- b. Williamsburg Bridge trolley line

3. Car and station privileges: Trackless trolley system, Staten Island

IX. Earnings of general departments

A. Fees and commissions

1. Legal fees

- a. "Desk fees"
 - City Clerk
 - City Chamberlain
 - County Clerk
 - Public Administrator
 - Register
 - Sheriff
 - Surrogate
- b. Notary fees
- c. Court fees
- d. Jury fees
- e. Subpoenas
- f. Fees on sale of city property

- g. Land title registration
- h. Naturalization fees
- i. Marriage license fees
- j. Fees for performance of marriage ceremony

2. Inspectional fees

- a. Meat inspection
- b. Market wagon fees
- c. Examination of plumbers

3. Fees from non-matriculated students and non-resident pupils

- a. City College
- b. Hunter College
- c. Continuation schools

4. Fees for use of public facilities, and admission charges

- a. Municipal baths
- b. Comfort stations
- c. Camp sites
- d. Golf
- e. Tennis
- f. Croquet
- g. Lockers
- h. Miscellaneous

5. Chamberlain's commissions for collection of state taxes

B. Sale of maps, transcripts, publications, and by-products

1. Sales of maps, plans, etc.

- a. By the Board of Elections
- b. By the Board of Estimate and Apportionment
- c. By the several borough presidents
- d. By the Transit Commission
- e. By the Board of Transportation
- f. By the Department of Docks

2. Searches, transcripts, etc.

- a. By Collector of Assessments and Arrears
- b. By City Clerk
- c. By Tenement House Department
- d. By Health Department

3. Sales of publications

- a. *City Record*
- b. Bulletins of the Board of Standards and Appeals, Municipal Reference Library, etc.
- c. Registry lists of election enrollment

4. Sales of by-products
 - a. Antitoxin and vaccine
 - b. Articles manufactured by Department of Correction
 - c. Articles manufactured by vocational and trade schools
 - d. Animals from zoölogical gardens

X. Miscellaneous general earnings

A. Revenue from investments

1. On investments other than those of sinking funds
 - a. Interest on bonds and mortgages on account of sales of city property
 - b. Interest on mortgages under jurisdiction of the Board of Transportation
 - c. Interest on securities of the Louisa Minturn fund
2. On investments of the sinking funds

B. Interest on bank deposits

1. Interest on sinking fund deposits
2. Interest on city treasury deposits
3. Interest on departmental deposits
4. Interest on security deposits
5. Interest on criminal bail deposits

C. Other interest and penalty charges

1. Penalties on property taxes
2. Interest on miscellaneous taxes
3. Interest on assessments
4. Interest on water rates
5. Interest on tax sale liens
6. Accrued interest on Corporate Stock and Serial Bonds sold
7. Interest on judgments for costs
8. Interest and penalties on miscellaneous deferred payments

D. Premium on sale of Corporate Stock and Serial Bonds

XI. Miscellaneous accruals, charges, deductions, refunds, and reimbursements

A. Applicable to tax reduction

1. Board of inmates of institutions and committed children
2. Damage to departmental property

3. Reimbursements for labor and material furnished by various departments
4. Conscience money
5. Miscellaneous rebates and reimbursements

B. Restricted to specific purposes

1. Damage to departmental property
2. Reimbursements for labor and materials furnished by various departments
3. Redemption of lands purchased for taxes or assessments
4. Deductions from payrolls
5. Special deposits
6. Enforced collections
7. Reimbursements on account of contractual agreement on capital projects
 - a. Bronx Parkway
 - b. Jamaica Bay improvement
 - c. New York and New Jersey bridge and tunnel
 - d. City College
 - e. Catskill aqueduct
8. Miscellaneous rebates and reimbursements

XII. Sale of assets

A. City-owned real estate

1. Sold under Sec. 205 of the Charter
2. Property under jurisdiction of the Board of Transportation
3. Sold at auction
4. Proceeds collected on account of judgments

B. Waste materials, etc.

1. Discarded ferry boats
2. Old buildings
3. Discarded equipment
4. Miscellaneous waste materials

XIII. Borrowings

A. Revenue Bills

B. Special Revenue Bonds

C. Tax Notes

D. Corporate Stock

E. Serial Bonds

Note: The classification presented above is based upon the information contained in the *Comptroller's Report for 1926*.

In general, the items of subclassification (those indicated by *a, b, c*, etc., and some of those indicated by 1, 2, 3, etc.) are expressed in the Comptroller's terminology. The other designations and the grouping of items have been chosen largely in conformity with those suggested in Oakey's *Principles of Government Accounting and Reporting*, but with some necessary modifications.

It is also to be noted that the *Comptroller's Report* does not include certain departmental receipts that are not paid into the city treasury and sinking funds. To the extent of those omissions, the classification presented is incomplete.

It is to be borne in mind, also, that the classification is one of receipts, not of income accrued. Hence it includes certain items, for example, "refunds" and "reimbursements" which are reductions of expenditures, not income.

APPENDIX L

LICENSES AND PERMITS IN NEW YORK CITY

In May, 1927, the Commissioner of Accounts completed an important report on "Fees for Licenses and Permits Collected by various Departments, Cost to the City for the Service Rendered, and Corresponding Receipts from each Source for the Year 1925." The survey covered bureaus in the following departments: Police, Licenses, City Clerk, Fire, Health, Mayor's Office, Parks, Examining Board of Plumbers, Water Supply, Gas and Electricity, Tenement House, Public Welfare, Street Cleaning, Plant and Structures, Public Markets, City Chamberlain, Collector of Assessments and Arrears, Collector of City Revenue, Borough Presidents, County Clerks, County Registers, Sheriffs, Public Administrators and Courts.

The report included careful tables showing in detail the present fees charged, the dates on which they became effective, the receipts in 1925, the estimated cost of service, the approximate loss or profit, the number of permits issued and the corresponding fees charged in certain other cities selected for purposes of comparison. These tables are too elaborate to be published here. Their information, however, is sufficiently indicated in the text of the Commissioner's report; the principal portions of which follow:

POLICE DEPARTMENT

Steam Boiler Inspection: Steam boilers are inspected annually by this Department and certificates of inspection are issued. Stationary engineers, firemen, and ice machine operators are examined and certificates are issued to them renewable annually. The fee for boiler inspection is \$2; *this fee has remained unchanged since 1884*. No fee is charged for examining and licensing engineers, firemen, and ice machine operators. The estimated cost of this service for the year 1925 was \$48,094. The receipts amounted to \$27,682, or \$20,412 less than the cost of the service rendered. 13,841 boilers were inspected; 1,714 licenses and 11,949 renewals of licenses were issued. The charges in Philadelphia

are, for boiler inspection \$3 plus 20 cents per square foot of grate area, for original licenses, \$3, and for yearly renewals, \$1.

Special Police Shields. These shields are issued to banks, trust companies, hospitals, and traction companies for use by special patrolmen in their employ. No fee is charged, but a deposit of \$10 is required. This is refunded when the shield is returned. The cost of this service for the year 1925, exclusive of the work of investigating prospective special patrolmen, was \$694.75 and the number of shields issued was 741. In Jersey City a fee of \$5 is charged for this privilege.

Taxicabs. The licensing of taxicabs and hack drivers was transferred from the Department of Licenses to the Police Department on April 11, 1925. The rates for licenses, as fixed by ordinance amended March 5, 1921, are as follows:

Public Taxicab	yearly	\$10.00
" "	1/2 term	5.00
" Coach	yearly	10.00
" "	1/2 term	5.00
Little Taxicab	yearly	5.00
" "	1/2 term	2.50
Public Cab	yearly	5.00
" "	1/2 term	2.50
Sightseeing Car	yearly	10.00
" "	1/2 term	5.00
Hackdrivers' Examination, certificate and equipment,		\$1.00
Hackdrivers' renewal, yearly		.50

Article 8, Chapter 14, Section 80 of the Code of Ordinances defines vehicles as follows:

Cab, a public hack so designed and constructed as comfortably to seat, in the opinion of the Commissioner of Licenses, not more than 2 persons inside thereof.

Coach, a public hack so designed and constructed as comfortably to seat, in the opinion of the Commissioner of Licenses, 4 or more persons inside thereof.

Little taxicab, a cab driven by mechanical power on which a taximeter is affixed.

Taxicab, a coach driven by mechanical power on which a taximeter is affixed.

During the period January 1, 1925, to April 11, 1925, the Department of Licenses issued 37 licenses for public taxicabs one-half term at \$5; 19 licenses for public coaches for the year at \$10; and 28 licenses

for public coaches one-half term at \$5. The Police Department, during the period April 11 to December 31 did not issue any of these classes of licenses, although the Department of Licenses during the preceding year had issued 587 licenses for public taxicabs, 287 for public taxicabs half term, 203 for public coaches, and 19 for public coaches half term. The Police Department apparently classed all taxicabs and coaches as little taxicabs at a rate of \$5 annually instead of at \$10, as formerly charged by the Department of Licenses.

The fines collected from hack drivers by the Department of Licenses for the period January 1 to April 11 (3 1/2 months) amounted to \$5,149. The fines collected by the Police Department for the period April 11 to December 31 (8 1/2 months) amounted to \$995.30. These fines represent penalties imposed for violations of the rules of the Department and not for traffic violations. Under the Department of Licenses the Commissioner, Deputy Commissioners, the Chief of the Division of Licensed Vehicles, and the Chief of the Brooklyn Office of the Department had power to hear and determine complaints against licensees, subpoena witnesses, take testimony, and impose a fine of not more than \$5 or less than \$1.

The receipts from taxicab licenses for the year July 1, 1925, to June 30, 1926, amounted to \$134,290, and the estimated cost of this service for the same period was \$131,989.30, or an approximate excess of receipts over costs of \$2,300.17. The receipts from hack drivers' licenses and renewals for the same period amounted to \$48,661 and the estimated cost of the service and equipment furnished to the drivers was \$154,366.45, or an approximate loss to the City of \$105,705.45.

The fee charged for public taxicab licenses in Jersey City and Hoboken is \$20. The fee for hack drivers' examinations and licenses in Hoboken is \$2.

DEPARTMENT OF LICENSES

The fee charged for billiard and pool tables is \$5 per annum per table. In 1925, 9,940 tables were licensed. Philadelphia charges \$15, San Francisco, \$24, and St. Louis, \$10.

The fee for employment agencies is \$25 per annum. 1,054 agencies were licensed during 1925. The fee charged in Philadelphia and Chicago is \$50, in San Francisco \$96, and in St. Louis \$50 to \$300.

The fee for junk shops is \$20 per annum and 626 such licenses were issued during 1925. The fee charged in Chicago is \$200; in San Francisco it is \$50 to \$160, and in St. Louis \$25 to \$500.

Motion picture theatres are charged a fee of \$100 per year, or \$50 for a half year. 320 licenses for the full year and 38 licenses for the half year were issued in 1925.

The licenses issued for moving picture theatres provide only for theatres having a capacity of not more than 600. All houses having a capacity of more than 600 are licensed as Common Shows. The annual license fee for houses with a capacity of more than 600 and not more than 1,000 is \$150, and for houses with a capacity of more than 1,000 the fee is \$200.

The fee charged in Chicago is \$200 to \$1,500; in Hoboken it is \$202, and in San Francisco \$100 to \$400.

The fee for theatre licenses is \$500 per annum and has remained unchanged since 1872. 193 licenses and 8 commuted licenses were granted in 1925. The fee charged in Chicago is \$200 to \$1,500, and in San Francisco it is \$400 to \$600.

DEPARTMENT OF HEALTH

The only fees collected by this Department during 1925 were those for issuing transcripts of births, deaths, marriages, sanitary violation searches, and parents' cards. Fees of 50 cents for original transcripts and 25 cents for each copy, 25 cents for copy of certificate of permits, and 10 cents for parents' cards are charged. The receipts for 1925 amounted to \$85,710.77 and the estimated cost of the service was \$87,727.36, or an approximate loss to the city of \$2,016.59.

The following table shows the fees charged in Hoboken for various permits for which either no fee was charged or no permit was required in New York in 1925. The number of permits issued in New York in 1925 is also shown:

	Fee—Hoboken	Number of Permits issued N. Y. (no fee)
Bakers	\$5	None required
Barber shops	5	7,470
Butchers (retail)	5	None required
Butchers (wholesale)	10	" "
Butter, eggs and cheese dealers	5	" "
Confectioners (retail)	5	" "
Confectioners (wholesale)	10	" "
Fat, rendering of, carting of	10	129
Fish dealers	5	None required
Grocers	5	" "
Hotels, 5 to 20 rooms	50	" "
Hotels, more than 20 rooms	100	" "

	Fee—Hoboken	Number of Permits issued N. Y. (no fee)
Lodging houses, per bedroom	1	99
Laundries	5	None required
Non-alcoholic beverages, sale of	100	" "
Non-alcoholic transfer of permit	10	" "
Milk and milk products, sale of (exclusive of sale in retail stores)	5	471
Restaurants	10	20,311
Slaughter houses, poultry	100	367

EXAMINING BOARD OF PLUMBERS

The fee for plumbers' licenses is \$5. The yearly charge for renewals is \$2. In 1925, 1,896 licenses and 1,737 renewals were issued. Hoboken charges \$15 for a license and \$15 for yearly renewals.

DEPARTMENT OF WATER SUPPLY, GAS AND ELECTRICITY

The cost of inspecting the installation of electric cables under and above ground and the construction of conduits for the year 1925 amounted to \$107,624. The Department endeavored to collect these costs but has not succeeded in doing so. A test case is now pending.

No fee is charged for interior electrical installations. During the year 1925 there were 287,177 inspections made and 176,257 certificates of approval were issued. The estimated cost of this service was \$194,044. The Board of Fire Underwriters collects fees for its inspections.

Electrical inspections are charged for in Chicago, Detroit, Los Angeles, Pittsburgh, Kansas City, and other municipalities. In Chicago, the Board of Fire Underwriters accepts for its purposes the approval of electrical installations by the city, and no fee is charged by the Board. The revenue derived by the City of Chicago from this source is over \$200,000 per year. This is considerably more than the cost of the service rendered.

Operators of motion picture machines are examined and licensed without payment of fees, and permits are renewed yearly; 2,569 permits were issued in 1925.

BOROUGH PRESIDENTS

In the Borough Presidents' Offices the fees charged, if any, are purely nominal except in a very few instances. In Manhattan it is the practice to charge 80 cents for corporation permits and \$1 for all others, excepting permits for sewer connections, erection of signs,

constructing vaults under sidewalks, etc. This fee is intended only to cover the cost of issuing the document. In the Bronx there is no fee charged, except in the few cases mentioned above applying to Manhattan. In Queens the practice is to charge an inspection fee of \$2.50 when permits are issued, if the nature of the work to be done requires inspection.

Deposits or bonds are required in all boroughs to cover restoration and replacement costs when permits are granted for any purpose which requires disturbing the pavement, or for purposes which might result in damage to the pavement.

No comparison of costs and receipts is given for these offices as the receipts are made up, to a great extent, of security deposits which are subject to refund when the permittee performs the work of restoration, or which, in case the city makes the restoration, are reimbursements to the city for the cost of labor and material.

Vaults. Permits to construct vaults under sidewalks are granted by the Borough Presidents. The cost of this privilege, fixed by ordinances, ranges from 30 cents to \$2 per square foot, according to the assessed valuation of the adjoining property. The first cost is the only revenue derived by the city from these privileges. During the year 1925 there were 572 permits of this class issued in Manhattan, 30 in the Bronx, 125 in Queens, and 472 in Brooklyn—a total of 1,199 for the city.

These vaults are used for a great variety of purposes, including bowling alleys, restaurants, boiler rooms, storage spaces, bakers' ovens, etc. There are thousands of them in the city and if a fair annual rental were charged for their use the resulting revenue would be considerable.

Building Construction and Alteration. No fees are charged for examining and filing plans submitted with applications for building permits. The city renders a real service in performing this work. Many plans are filed by persons who have no intention of erecting buildings, in order to enhance the values of their lots. The building permits have a value for which the lot purchaser is willing to pay. The cost of this service is paid for by the taxpayers in general, who have only an indirect interest in the matter, while the service rendered is of a purely personal nature. The figures given below were compiled by the Bureau of Buildings, Brooklyn, in order to show how the Bureau in that Borough might be made self-sustaining.

Value of buildings for which applications were filed (yearly average for the past eight years), \$203,670,750.00.

Estimated revenue at a fee of $\frac{1}{4}$ of 1% for filing and examination of plans and applications for building permits, yearly	\$509,176.87
Budget appropriation 1927	436,489.00
Excess over budget appropriation	\$ 72,687.87

These Bureaus also make violation searches and tests of building materials, and issue certificates of occupancy, plumbers' registration certificates, certificates of competency of elevator operators, and approvals of amusement devices, dance halls, motion picture houses, and theatres. No fees are charged for any of these services.

COUNTY OFFICES

Fees of County Clerks are fixed by Sections 1557 and 1557a of the Civil Practices Act, as amended by Laws of 1925. The latter section relates to the counties of New York, Kings, and Richmond, and the former to the counties of Bronx and Queens. Although the fees fixed by law vary in the two groups of counties, those actually charged in the five counties are practically uniform. All fees collected by county clerks are returnable to the City Treasury.

The fees collected by County Registers in the Counties of Kings, Queens, and Richmond are fixed by the laws of 1917; those collected in New York County by the laws of 1926, and those in Bronx County by the laws of 1925. The fees fixed for the five counties are, with few exceptions, uniform excepting that in New York County, fees for a greater number of services are provided. All fees collected are returnable to the City Treasury.

Sheriffs' fees are fixed for all counties of Greater New York by Chapter 626 of the laws of 1922. In Richmond County the Sheriff retains the fees. In all other counties, fees are returnable to the city treasury.

Public Administrators in the Counties of New York, Kings, Queens, and Richmond receive the following fees: For receiving and paying out all sums of money not exceeding \$2,500 a fee of 5%; for receiving and paying out all sums of money exceeding \$2,500 a fee of $2\frac{1}{2}\%$. In Bronx County the Public Administrator receives the following fees:

For receiving and paying out all sums of money not exceeding \$2,000 . . .	10%
" " " " " " additional sums not exceeding 20,000 . . .	5%
" " " " " " " " " " 28,000 . . .	3%
" " " " " " " " " " sums of money in excess of \$50,000 . . .	4%

In the Counties of Bronx and Richmond the fees belong to the Public Administrators. In all other counties of the city fees are returnable to the City Treasury.

APPENDIX M

DIGEST OF OFFICIAL AND UNOFFICIAL REPORTS SINCE 1905, RELATING TO REVENUES OF NEW YORK CITY

The following pages consist of brief digests of the more important official and unofficial reports issued since 1905, dealing primarily with the revenues of the City of New York.

Final Report of Advisory Commission on Taxation and Finance, Edgar J. Levey, Chairman, (1905-1908, 162 pp.).

To provide for existing arrears in taxes levied and deemed uncollectible, the report proposed that the Board of Estimate be permitted to authorize Corporate Stock equal in amount to the deficiency deemed uncollectible.

For the annual deficiency in taxes, the Commission recommended that the Board be permitted to insert in the budget a sum equal to so much of the deficiency of the preceding year as was not provided for in prior tax levies or by such issue of Corporate Stock. This would repeal the section of the Charter which authorizes the Board of Aldermen to increase the tax levy to provide for uncollectible back taxes.

The Commission found the personal property tax impracticable of operation and unfair in so far as enforced. It found the method of enforcing payment of arrears of real estate taxes and assessments and water rents wholly inadequate to enforce rights of city [since amended by statute]; report reveals defects in accounting system and opposes change in time of collection of taxes.

Report of Commission on New Sources of Revenue, (January 11, 1913, 116 pp.).

Recommends decrease in the rate of taxation on personal property to insure greater certainty of collection and the placing of the burden of local government on those forms of property which represent values largely created by the community itself.

The Report made the following specific recommendations:

1. That adequate annual payments be made for the privilege of erecting and maintaining billboards and signs.
2. Requirement of adequate annual payments for the use of the city's sub-surface.
3. Repeal of Section 48 of the Tax Law [relating to deduction in rental payments from tax franchise].
4. Imposition of a flat unearned increment tax on future increases in land values. [See below]
5. Granting of broader licensing powers to the City of New York [now available under Home Rule Amendment].
6. New or increased miscellaneous sources of city revenue.
 - (a) The extension of the sale of privileges at public auction.
 - (b) Increases in certain county fees.
 - (c) The passage of an adequate ordinance for licensing hack stands.
 - (d) The licensing of animal-drawn vehicles.
 - (e) Increase in the motor vehicle tax, and contribution of part of that tax to the city.
 - (f) Extension of the use of water meters.
 - (g) Leasing of Jamaica Bay lands, title to which was vested by the state in the city.
 - (h) Intelligent organization of city prison labor with reference to the needs of city departments for supplies and material.
 - (i) Better methods of disposing of the city's unneeded personal property.
 - (j) Sale of unused real estate previously acquired by the city.
7. Miscellaneous recommendations.
 - (a) That the city of New York strongly support the pending amendment to the State Constitution granting to cities the power of excess or additional condemnation.
 - (b) That a new sinking fund policy be considered.
 - (c) That the principle of special assessment be applied to the construction of rapid transit railroad extensions.
 - (d) That the Banking Commission make an earnest effort to secure a higher rate of interest on deposits of city money.
 - (e) That the city take over the franchises and property of subway conduit companies, to which the city is entitled under the terms of the franchises granted to said companies.

- (f) That no form of real property, such as churches or cemeteries, be exempt from assessment for local improvements.
- (g) That the city sell to better advantage the asset which it has in the commercial use of garbage and other forms of city waste.
- (h) That the present effort to provide a self-sustaining market system be continued.
- (i) That all miscellaneous sources of revenue now diverted to pension funds or to quasi-public organizations be paid directly into the city treasury; and that so far as such contributions are necessary or desirable for the future, they be made by direct budget appropriation.
- (j) That outstanding assessment bonds be disregarded in calculating the city's power to become indebted.
- 8. That the personal property tax be reduced to one mill.
- 9. That the payment of county officers by fees be abolished; that fees received be turned into the city treasury [since embodied in law].
- 10. That the mandatory legislative acts prescribing the payrolls of county officers be repealed, and the Board of Estimate and Apportionment be made responsible for county appropriations.

The Commission's proposal of an increment tax is of sufficient significance to be quoted in full:

"We, therefore, recommend an increment tax of 1 per cent. per annum to be perpetual upon all increments of land values as shown by comparison with the assessed valuations of the year 1912, and to be in addition to the general tax levied upon all real estate. If, for instance, the assessed value of a piece of land rises from \$100,000 in 1912 to \$110,000 in 1913, the owner would be called on to pay the general tax, say at the rate of 1.83, which would amount to \$2,013, and in addition the increment tax of 1 per cent. of \$10,000, or \$100.

"Such an increment tax would be a levy in perpetuity upon all forms of economic rent hereafter created by the growth of the City. In this respect it differs radically from the tax in force in foreign countries. In Germany and England the increment tax, varying from 10 to 40 per cent. is levied once for all on the capital value of the land. The owner of land, having once paid the tax, is entitled thereafter in perpetuity to the entire yield or rent. We believe it a wiser policy for the city to retain a perpetual claim upon the yield or rental value of the increment, for then it will command a source of increasing revenue that will not bear oppressively upon the taxpayer.

"The proposed tax should not be levied upon any increment which results from the labor or expenditures of the owner. If land appreciates because of improvements paid for by the owner, such as grading and clearing, or connections for water, light, and sewage, or street openings, paving, etc., such an increment, to the extent that it represents capital invested by the owner, would not be subject to the tax. We propose, in short, that the tax shall be levied only upon the 'unearned' increment, which results from the growth of the city and from improvements made by the city or by others than the owner himself.

"If, therefore, the value of a piece of land should rise from \$100,000 in 1912 to \$110,000 in 1913, and the owner can show that he has expended \$4,000 in permanent improvements, either upon his own initiative or in payment of special assessments levied by the municipality, he would be subject to an increment tax on only \$6,000; and thereafter the base valuation of the land, from which future increments would be calculated, would be \$104,000 instead of \$100,000.

"The present owners of land in the city cannot object that the proposed tax would produce any material effect upon values. Assuming that land values now represent a capitalization of income on a basis of 5 per cent. the present tax rate of 1.85 is equal to 27 per cent. of the income from land and is responsible for a corresponding permanent depreciation in the market value of land. An increment tax of 1 per cent. would be equivalent to the annual appropriation of only about 12.5 per cent. of the increased yield or rent underlying the increment of capital value. It would slightly retard the advance of values, but would have no effect whatever upon the market value of land whose rent is stationary or declining. It should be noted, however, that in the long run such an increment tax would tend toward the reduction of the general tax rate and so toward a general appreciation in the case of all land. The potential or speculative value of vacant land in some cases might be slightly depressed by the imposition of an increment tax, for the value of such land sometimes represents in part the capitalization of an expected increment. The tax, however, would be so small a part of the increment that it practically would be a negligible factor as between buyer and seller.

"The average increase in the land values of New York City during the past decade was about \$150,000,000 a year. On that basis an increment tax of 1 per cent. would yield in the first year a revenue of \$1,500,000; in the second year, \$3,000,000; in the third year, \$4,500,000;

in the fourth year, \$6,000,000; and so on, until in the tenth year its yield would approximate \$15,000,000."

Report on Deficiencies in Taxes. Bureau of Municipal Investigation and Statistics, Finance Department (October 29, 1914, 18 pp.)

This report, supported by detailed tables, indicated that only 58.72 per cent. of personal taxes levied for years 1899 to 1913 had been collected.

"The Government of the City of New York," *Proceedings of Academy of Political Science*, Vol. 5, April, 1915.

Thomas W. Lamont discusses the "pay-as-you-go" policy for non-productive enterprises and its relation to the \$100,000,000 loan (made in 1914 to relieve the city from a financial crisis) (p. 160).

Prof. Edwin R. A. Seligman discusses the joint use of the income tax by the state and city (p. 164).

Final Report of Committee on Taxation, appointed by Mayor Mitchel; Alfred E. Marling, chairman (January 5, 1916, 398 pp.).

Its recommendations may be summarized thus:

1. Opposes exemption from taxation of buildings and other improvements to realty, gradually or otherwise.¹
2. Favors state income tax as a partial means of securing the additional revenue required.
3. Opposes adoption of low rate tax on intangible or tangible personal property.
4. Favors principle of tax upon increment of land values.
5. Opposes supertax on land values.
6. Favors unanimously following changes in the Tax Law to improve administration and moderately increase revenue; (a) that real property shall not be exempt when vacant, though owned by a charitable or other similar corporation; (b) that provisions for deduction of surplus and assessed value instead of actual value of real estate be omitted; (c) that the State Board of Tax Commissions be required to furnish local assessors with full particulars concerning real property of public service corporations, exclusive of their special franchises; (d) that Sec. 48 of Tax Law which permits deduction from special franchise tax of amounts paid by owner as rental for the franchise and any sums paid for car licenses,

¹ See also technical studies by R. M. Haig, *The Exemption of Improvements from Taxation in Canada and the United States* (1915, 291 pp.) and *Probable Effects of Exemption of Improvements from Taxation in New York City* (1915, 254 pp.), prepared for this Committee.

taxes, etc. be repealed; (e) that the Secretary of State be required to send duplicate reports of incorporations to the local assessors interested.

7. Favors appointment by the Mayor of a committee on the question of raising additional revenue from special assessments and of possible improvements in laws relating to them.

Report of the Joint Legislative Committee for the Investigation of the Finances of the City of New York. Submitted February 7, 1916. (22 pp.) and appendix and Legislative Document No. 25, (56 pp.).

The occasion for the investigation was objection by the city administration to the amount asked of the city for the support of the state government (6 per cent. of the city budget).

The report analyses the debt situation and shows that the city has consistently borrowed up to, and by various devices has exceeded, the debt limit. The committee condemned the practice of keeping large quantities of short term paper on the market and presented a bill making tax collections take place on January 1, and July 1.

The report describes the embarrassed state of the city's finances in 1914, which necessitated the \$100,000,000 loan from a syndicate of citizens. At that time the adoption of a "pay-as-you-go" policy for public improvements was required by the syndicate, and the Board of Estimate and Apportionment accepted it. The committee recommends that this be made a part of permanent policy by being incorporated in the City Charter.¹

The committee also saw dangers in investing sinking fund accumulations in city bonds. It recommended that sinking funds be abolished and that serial bonds be substituted, and the diversion of city revenues to special funds for particular purposes or units be abolished.

It recommended further that the question of mandatory charges on the city for the Department of Education should be submitted to a referendum in the city; that county administration within the city should be placed under elective boards; that the Board of Estimate should be put in charge of county finances, and that the Constitution should be amended so that bills relating to a county wholly within a city should be city bills.²

The committee felt that in general the contribution made by the city to the state government in direct and indirect taxes was reasonable and

¹ See § 169 of the Charter, the so-called "pay-as-you-go" Law, Ch. 589 of the Laws of 1916 and above, p. 209.

² This refers to the Mayor's veto which has since been abolished by the Home Rule Amendment.

fair, but pointed out some few cases of unfair taxation. It recommended that certain state levies be shared with cities or counties, for example, the automobile tax (with the restriction that it be spent on roads). The committee also presented various bills: charging the state with the regulative expenses of the Public Service Commission of the First District; prohibiting further construction by the state of roads in cities and prohibiting the maintenance of county roads by the state; providing for the taking over of the city's normal schools by the state; and requiring that any additional excise tax be divided between the state and the city.

The committee estimated that its proposals might save the city over \$10,000,000. Further savings would be possible if the Board of Estimate were given broad powers to consolidate and abolish departments. The administrative expenses of the city could be reduced without lessening of public services. The committee recommended that the pension systems be revised and placed on a uniform basis.

There was also a minority report signed by Robert F. Wagner, Thomas H. Cullen and Alfred E. Smith proposing:

1. Constitutional amendments providing for two-thirds vote upon all appropriations where benefits sought were chiefly local, and giving New York City representation in the State legislature sufficient to protect a majority of the population of the state from financial domination of the minority.

2. Legislation repealing the state aid law;

3. Exemption of state property from taxation wherever located;

4. Allowance to New York City of its proportionate share of state highway expenditures; and apportionment of proceeds of stock transfer tax to the localities where the tax is collected.

Mitchel, John Purroy, "Reducing the City's Tax Rate." *New York State Chamber of Commerce Bulletin*. (February, 1916, pp. 23-37).

Points out limited jurisdiction of the Mayor and the Board of Estimate over finances. Discusses the financial relation of Board of Education to the city government and recommends greater control over educational and other mandatory expenditures, particularly county expenses, 70 per cent. of which are mandatory.

The eventual effects of the "pay-as-you-go" policy are considered.

The Mayor asked that the state share the cost of vocational and industrial education, as in other cities; that the state bear the expenses of the Public Service Commission of the First District (as it did of the

Second); that the state government turn over the stock transfer tax to city, and that sixty-five per cent. of the automobile tax collected in New York City be given to the city. These and other changes would involve the saving of $31\frac{1}{2}$ points on the tax rate.

He proposed further to give Board of Estimate absolute control over every expenditure made out of the New York City treasury and over the number and salaries of all employees, and jurisdiction over the construction forces of the Public Service Commission (since attained by the creation of the Board of Transportation). He also recommended that a Board of Purchases be created, that the city be given financial control over the Board of Water Supply and that the Board be supplanted by a single commissioner; that a single Commissioner of Accounts be authorized as an aid to the Mayor; and that the Board of Education be made smaller.

Report on the Tax Levies of the City of New York, 1899-1914. Bureau of Municipal Investigation and Statistics, Finance Department (1916, 103 pp.).

- (1) Considers the productivity of each class of taxes, the probable proportion of receipts from current and prior levies within particular periods after imposition, the relative productivity of the several boroughs, and

- (2) The extent of probable deficiencies or losses through discounts and remissions and the cancellations of invalid or uncollectible taxes, especially marked in personal property tax.

Report on the Apportionment of Direct State Tax. Bureau of Municipal Investigation and Statistics, Finance Department. (1917, 27 pp.).

Summarizes results of several investigations made for the purpose of determining the relation between actual assessment standards and the rates of equalization fixed for certain counties outside the City of New York, as a result of which the city's share of taxes to be paid the State was reduced from 69.27 per cent. in 1914 to 64.81 per cent. in 1917, at a saving of over \$500,000.

He proposed to reduce the State Board of Estimate and Equalization to three members.

Report of Mayor's Committee on Taxation and Investigation of Mortgage Loans, 1918-1919. (86 pp.).

Recommendations to alleviate tax burden on real estate.

1. Abolish courthouse board and remodel old courthouse.

2. Sell, if possible, or lease all unused property of city.

3. Impose moderate yearly license on all professional and business men in city.

4. Investigate dock rentals; all leases or right with regard to waterfront privileges should be sold.
5. Consolidate all city departments affecting real estate; merge Fire Prevention Bureau and Tenement House Department into Building Department.
6. Transfer Building Bureau and architectural staff of Board of Education to supervision of Building Department.
7. Remove pushcarts from streets or prevent them from interfering with renting of stores.
8. Substitute income tax for unsatisfactory personal property tax; suggesting rates of $\frac{1}{4}$ of 1 per cent., on incomes of married persons amounting to \$1,200 or more; $\frac{1}{2}$ of 1 per cent., on unmarried persons; 1 per cent. on incomes of \$10,000 or more, with 2 per cent. for unmarried persons.
9. Impose annual fee on all horse and motor trucks and automobiles by weight.
10. Tax all real estate belonging to churches and charitable institutions and not used by them as such.

Further Recommendations Relative to Taxation

1. Amend the Personal Property Tax Law.
2. Amend the franchise tax on mercantile and manufacturing corporations, increasing rate from 3 to 16 per cent., to be shared equally by city and state.
3. Amend Greater New York Charter:
 - To provide for limitation of tax on real estate of 2 per cent., effective January 1, 1922.
 - To reduce tax on personal property to $\frac{1}{2}$ of 1 per cent.
 - To compel all taxpayers having personal property of more than \$2,000 to file reports with Department of Taxes, under oath.
4. Tax all insurance companies $\frac{1}{2}$ of 1 per cent.
5. Tax all bank deposits 1 per cent.

Report of the Joint Legislative Committee to Investigate the Finances of the City of New York, Schuyler M. Meyer, Chairman, March 9, 1922, (58 pp.).

Recommendations:

1. Change tax dates gradually to January 1 and July 1.
2. Restore "pay-as-you-go" system as enacted in 1916.

3. Abolish Sinking Fund Commission and sinking funds as rapidly as practicable.
4. Repeal General Fund Bond provision and apply all sinking fund receipts to payment of interest and reduction of city debt; devote revenues of income-paying properties to debts created by acquisition of properties.
5. Place municipal public utilities on self-sustaining and independent basis, with separate profit and loss accounts.
6. Place payments on an actuarial basis on existing debts, and employ serial bonds for new debt.

Report of Special Joint Committee on Taxation and Retrenchment, New York State Legislature (1925, 259 pp.), Thomas I. Sheridan, Chairman.

Summary of findings and recommendations:

(1) Local taxation. Suggests putting municipal utilities on self-sustaining basis and making special services (building, plumbing, electrical inspections and permits) bear their own cost. Recommends revision of schedule of charges for all permits, licenses and fees.

Proposes that the new state taxes necessary be distributed among cities; that a business or occupational tax be levied on rental value of premises occupied, and that a small surtax be added to the state income tax.

(2) Revision of state tax system.

Recommends:

A gasoline tax of two cents per gallon to be shared with localities; a tax of 5 per cent. on net income of unincorporated businesses to balance tax upon corporations;

Revision of state inheritance tax to take full advantage of federal credits;

Abandonment of real estate to cities as tax source; repeal of tax on tangible personal property; increase of income tax on business corporations to 6 per cent.

APPENDIX N

FUNDED INDEBTEDNESS AND ASSESSED VALUATIONS OF REAL ESTATE
OF THE CITY OF NEW YORK FROM 1830 TO 1927

(In thousands of dollars)

YEAR ENDING DECEMBER 31ST	TOTAL FUNDED DEBT ¹	SINKING FUND ASSETS ²	NET FUNDED DEBT ³	ASSESSED VALUATION OF REAL ESTATE ⁴
(1)	(2)	(3)	(4)	(5)
1830	\$ 570	\$ 227	\$ 343	\$ 87,603
1831	500	257	243	95,594
1832	500	398	102	104,160
1833	500	206	294	114,124
1834	500	254	246	123,249
1835	1,500	261	1,239	143,732
1836	2,939	340	2,599	233,742
1837	3,399	382	3,017	196,450
1838	5,035	363	4,672	194,543
1839	7,716	618	7,098	196,940
1840	10,842	699	10,143	187,221
1841	12,681	831	11,850	186,351
1842	14,096	1,018	13,073	176,513
1843	14,334	1,266	13,068	164,955
1844	14,477	1,500	12,977	171,937
1845	14,657	2,065	12,592	177,207
1846	14,830	2,285	12,545	183,480
1847	14,851	2,485	12,366	187,315
1848	15,016	2,994	12,022	193,029
1849	15,241	3,690	11,551	197,741
1850	15,037	3,583	11,454	207,142
1851	15,288	4,052	11,236	227,015
1852	14,945	3,896	11,049	253,273
1853	15,196	4,631	10,565	294,652
1854	15,214	5,171	10,043	330,564
1855	16,004	5,594	10,410	336,975
1856	16,033	4,936	11,097	340,972
1857	18,175	5,093	13,082	352,343
1858	18,321	5,277	13,044	368,346
1859	18,900	6,364	12,536	378,051
1860	22,203	5,107	17,033	398,533
1861	24,268	6,262	18,006	406,881
1862	28,068	7,233	20,835	400,239
1863	34,170	7,985	26,185	402,196
1864	41,880	8,767	33,113	410,695

FUNDED INDEBTEDNESS AND VALUATION—Continued

YEAR ENDING DECEMBER 31ST	TOTAL FUNDED DEBT ¹	SINKING FUND ASSETS ²	NET FUNDED DEBT ³	ASSESSED VALUATION OF REAL ESTATE ⁴
(1)	(2)	(3)	(4)	(5)
1865	\$43,366	\$ 9,669	\$33,697	\$427,404
1866	44,191	11,229	32,962	478,994
1867	46,501	13,985	32,516	555,442
1868	48,981	16,501	32,480	623,235
1869	63,626	18,321	45,305	684,123
1870	79,523	18,115	61,408	742,103
1871	102,182	20,182	82,000	769,306
1872	110,700	23,348	87,352	797,125
1873	121,419	24,841	96,578	836,691
1874	139,098	26,823	112,275	881,547
1875	140,378	27,748	112,630	883,643
1876	142,002	28,296	113,706	892,428
1877	142,769	31,120	111,649	895,063
1878	139,609	32,143	107,466	900,855
1879	136,407	33,021	103,386	918,134
1880	133,534	32,993	100,541	942,571
1881	134,400	36,110	98,290	976,735
1882	130,474	34,332	96,142	1,035,203
1883	130,680	38,134	92,546	1,079,130
1884	126,870	34,823	92,047	1,119,761
1885	125,475	36,113	89,362	1,168,443
1886	125,982	41,205	84,777	1,203,941
1887	128,268	39,521	88,747	1,254,491
1888	132,445	44,324	88,121	1,302,818
1889	141,839	45,638	96,201	1,331,578
1890	146,371	48,513	97,858	1,398,290
1891	150,298	52,783	97,515	1,464,247
1892	155,161	56,532	98,629	1,504,904
1893	166,469	65,708	100,761	1,562,582
1894	173,991	69,912	104,079	1,613,057
1895	185,588	75,703	109,885	1,646,028
1896	195,907	77,630	118,277	1,731,509
1897	223,007	86,170	136,847	1,787,186

THE CONSOLIDATION OF GREATER NEW YORK BECAME EFFECTIVE
JANUARY 1, 1898

1898	341,844	104,478	237,366	2,533,730*
1899	359,620	111,422	248,198	2,932,445
1900	384,794	119,251	265,543	3,168,533
1901	412,047	125,524	286,523	3,237,778
1902	434,339	138,317	296,022	3,330,647
1903	469,123	142,762	326,361	4,751,550
1904	534,954	141,088	393,861	5,015,463

FUNDED INDEBTEDNESS AND VALUATION—Continued

YEAR ENDING DECEMBER 31ST	TOTAL FUNDED DEBT ¹	SINKING FUNDS ASSETS ²	NET FUNDED DEBT ³	ASSESSED VALUATION OF REAL ESTATE ⁴
(1)	(2)	(3)	(4)	(5)
1905	\$565,056	\$141,545	\$423,510	\$5,221,582
1906	617,484	153,467	464,017	5,738,487
1907	672,396	146,335	526,061	6,240,480
1908	730,691	145,000	585,691	6,722,415
1909	794,930	151,259	643,670	6,807,179
1910	843,503	155,469	688,033	7,044,192
1911	917,811	161,040	756,771	7,858,840
1912	985,190	165,125	820,064	7,861,898
1913	1,065,373	173,201	892,172	8,006,647
1914	1,124,020	181,816	942,204	8,049,859
1915	1,155,483	181,749	973,734	8,109,760
1916	1,191,317	183,822	1,007,495	8,207,822
1917	1,214,948	194,466	1,020,481	8,254,549
1918	1,225,095	199,078	1,026,017	8,339,638
1919	1,238,260	210,449	1,027,811	8,428,322
1920	1,246,858	215,660	1,031,198	8,626,192
1921	1,292,973	228,450	1,064,522	9,972,985
1922	1,316,160	230,563	1,085,596	10,249,995
1923	1,373,350	243,509	1,129,841	10,596,066
1924	1,459,589	257,098	1,202,490	11,148,811
1925	1,565,853	274,329	1,291,524	11,901,348
1926	1,660,993	294,405	1,366,588	12,997,580

¹ Including Assessment Bonds, excluding Revenue Bonds, Special Revenue Bonds, and General Fund Bonds, the latter of which were first issued in 1903. The figures for the years 1830-1897 are computed from the figures given in E. D. Durand's *Finances of the City of New York*, 1898, p. 374; for the years 1898-1910, from Comptroller Prendergast's *The Business of the City of New York, How the City Gets Its Money and How It Spends It*, October 10, 1911.

² Exclusive of General Fund Bonds. The figures in Column 3 are taken for the years 1830-1897 from Durand, *op. cit.*; for the years 1901 and 1905, and 1909-1926, from the *Comptroller's Annual Report*, 1926, p. 372. The intervening years are taken from the Comptroller's Annual Reports for those years.

³ Computed from the figures in Columns 2 and 3.

⁴ The figures for the years 1830-1852 taken from the *Comptroller's Report*, 1852, p. 68; 1854-1860, from the *Comptroller's Report*, 1859, p. 164; for the years 1865-1871, from the *Commission of Taxes and Assessments Report*, 1873, p. 15; those for the years 1878-1896 from the *Report of the Commission of Taxes and Assessments*, 1896, p. 17; those for the years 1899-1925 from the *Report of the Department of Taxes and Assessments*, 1925; those for the intervening years, from the Comptroller's Annual Reports for those years.

⁵ Assessments of Brooklyn, Queens, and Richmond are for the year 1897.

APPENDIX O

CONSTITUTIONAL DEBT AND TAX LIMITS IMPOSED ON CITIES IN
NEW YORK STATE

Showing the dates of approval by the people of the State of the various clauses (Matter in brackets [] is no longer in force; matter in *italics* represents additions to preëxisting text.)

- Debt Limit.* Article VIII. § 11 [Now numbered § 10]. No
- 1884 county, city, town or village shall hereafter give any money or property, or loan its money or credit to or in aid of any individual, association, or corporation, or become directly or indirectly the owner of stock in, or bonds of, any association or corporation; nor shall any such county, city, town or village be allowed to incur any indebtedness except for county, city, town or village purposes. This section shall not prevent such county, city, town or village from making such provision for the aid or support of its poor as may be authorized by law. No county
- 1899 [containing a] or city [of over one hundred thousand inhabitants or any such city]
- 1884 shall be allowed to become indebted for any purpose or in any manner to an amount which, including existing indebtedness, shall exceed ten per centum of the assessed valuation of the real estate of such county or city subject to taxation, as it appeared by the assessment rolls of said county or city on the last assessment for state or county taxes prior to the incurring of such indebtedness; and all indebtedness in excess of such limitation except such as now may exist, shall be absolutely void, except as herein otherwise provided. No
- 1899 [such county or such]
- 1884 city whose present indebtedness exceeds ten per centum of the assessed valuation of its real estate subject to taxation, shall be allowed to become indebted in any further amount until such indebtedness shall be reduced within such limit. This section shall not be construed to prevent the issuing of certificates or indebtedness or revenue bonds issued in anticipation of the collection of taxes for amounts actually contained, or to be contained in the taxes for the year when such certificates or revenue bonds are issued and payable out of such taxes.

1909 ; nor to prevent the city of New York from issuing bonds to be redeemed out of the tax levy for the year next succeeding the year of their issue, provided that the amount of such bonds which may be issued in any one year in excess of the limitations herein contained shall not exceed one-tenth of one per centum of the assessed valuation of the real estate of said city subject to taxation.

1884 Nor shall this section be construed to prevent the issue of bonds to provide for the supply of water; but the term of the bonds issued to provide the supply of water,

1909 in excess of the limitation of indebtedness fixed herein, shall not exceed twenty years, and a sinking fund shall be created on the issuing of the said bonds for their redemption, by raising annually a sum which will produce an amount equal to the sum of the principal and interest of said bonds at their maturity.

1899 All certificates of indebtedness or revenue bonds issued in anticipation of the collection of taxes, which are not retired within five years after their date of issue, and bonds issued to provide for the supply of water, and any debt hereafter incurred by any portion or part of a city if there shall be any such debt, shall be included in ascertaining the power of the city to become otherwise indebted;

1905 except that
1917 debts incurred by [the] any of [New York] the first class
1905 after the first day of January, nineteen hundred and four, and debts incurred by any city of the second class after the first day of January, nineteen hundred and eight,

1909 and debts incurred by any city of the third class after the first of January nineteen hundred and ten,

1905 to provide for the supply of water shall not be included;
1909 and except further that any debt hereafter incurred by the city of New York for a public improvement owned or to be owned by the city, which yields to the city current net revenue, after making any necessary allowance for repairs and maintenance for which the city is liable, in excess of the interest on said debt and of the annual installments necessary for its amortization may be excluded in ascertaining the power of said city to become otherwise indebted, provided that a sinking fund for its amortization shall have been established and maintained and that the indebtedness shall not be excluded during any period of time when the revenue aforesaid shall not be sufficient to equal the said interest and amortization installments, and except further that any indebtedness heretofore incurred by the city of New York for any rapid transit or dock investment may

be so excluded proportionately to the extent to which the current net revenue received by said city therefrom shall meet the interest and amortization installments thereof, provided that any increase in the debt incurring power of the city of New York which shall result from the exclusion of debts heretofore incurred shall be available only for the acquisition or construction of properties to be used for rapid transit or dock purposes. The Legislature shall prescribe the method by which and the terms and conditions under which the amount of any debt to be so excluded shall be determined, and no such debt shall be excluded except in accordance with the determination so prescribed. The Legislature may in its discretion confer appropriate jurisdiction on the Appellate Division of the Supreme Court in the first judicial department for the purpose of determining the amount of any debt to be so excluded. No indebtedness of a city valid at the time of its inception shall thereafter become invalid by reason of the operation of any of the provisions of this section.

1899 Whenever the boundaries of any city are the same as those of a county, or when any city shall include within its boundaries more than one county, the power of any county wholly included within such city to become indebted shall cease, but the debt of the county, heretofore existing, shall not, for the purposes of this section, be reckoned as a part of the city debt.

1884 *Tax Limit.* The amount hereafter to be raised by tax for county or city purposes, in any county containing a city of over one hundred thousand inhabitants, or any such city of this State, in addition to providing for the principal and interest of existing debt, shall not in the aggregate exceed in any one year two per centum of the assessed valuation of the real and personal estate of such county or city, to be ascertained as prescribed in this section in respect to county or city debt.

APPENDIX P

CALCULATION OF THE DEBT-INCURRING POWER THE CITY OF NEW YORK — DEPARTMENT OF FINANCE Bureau of Accountancy.

STATEMENT—SETTING FORTH THE CONSTITUTIONAL DEBT-INCURRING POWER—"DEBT LIMIT" OF THE CITY OF NEW YORK as of

March 1, 1927 (A.M.)

I. THE TOTAL DEBT-INCURRING POWER OF THE CITY, WITHIN THE DEBT LIMIT, IS TEN (10) PER CENT. OF THE ASSESSED VALUATION OF TAXABLE REAL ESTATE, WHICH TEN (10) PER CENT. PER THE ASSESSMENT OF 1927, IS \$1,453,993,520.39

II. GROSS FUNDED DEBT AS OF FEBRUARY 28, 1927 (P.M.)..... \$2,245,687,963.66
From which are Excluded Funded Debts outside the Debt Limit—in accordance with the State Constitution and as determined by decisions of the Court of Appeals—COUNTY BONDS and certain WATER BONDS—the latter for Debt incurred subsequent to January 1, 1904, viz.:.....

III. County Bonds..... \$2,142,114.35

Water Bonds..... \$280,206,328.10

Less Amount of Cash from Proceeds of Water Bonds to liquidate indebtedness incurred prior to January 1, 1904..... 9,779,690.24

IV. Corporate Stock Notes for Water Purpose (outstanding February 28, 1927)..... \$270,426,631.86

..... 1,350,000.00

..... \$273,818,746.21

V. EXEMPTED BONDS

RAPID TRANSIT BONDS—Manhattan-Bronx, Exempted by Appellate Division of Supreme Court: July 5, 1910..... \$43,893,325.18

April 12, 1913..... 2,721,354.08

RAPID TRANSIT BONDS—Brooklyn-Manhattan, Exempted by Appellate Division of Supreme Court: April 12, 1913..... \$3,614,400.00

..... 809,645.00

Dock Bonds—Exempted by Appellate Division of Supreme Court, January 31, 1913..... 4,424,045.60

FUNDED DEBT, EXEMPT—OUTSIDE THE DEBT LIMIT..... \$51,013,794.86

..... 69,943,053.55

..... 120,956,778.41

..... \$394,775,524.62

..... \$1,848,942,368.37

FUNDED DEBT, NON-EXEMPT—WITHIN THE DEBT LIMIT.....

TOTAL SINKING FUND HOLDINGS FOR THE REDEMPTION OF FUNDED DEBT.....

New York City Securities (Bonds, Corporate Stock Notes, and Investment of \$600,000 in United States Liberty Bonds; General Fund Bonds, \$576,250,000)..... \$883,176,537.82

Cash—For Redemption Purposes only..... 277,083.37

..... \$883,453,621.19

Less Resources Reserved within Sinking Funds covering, pursuant to statutory requirements, Accrued Amortization on Exempted Bonds, viz.:.....

For Water Bonds..... \$36,181,237.37

For Rapid Transit Bonds..... 15,396,758.92

For Dock Bonds..... 19,121,589.70

..... 70,699,586.08

NET SINKING FUND HOLDINGS FOR REDEMPTION OF FUNDED DEBT, WITHIN THE DEBT LIMIT, viz.: NON-EXEMPT DEBT..... \$812,754,035.11

VII.

VIII.

IX.

X.

XI.

XII.

XIII.

XIV.

XV.

XVI.

XVII.

XVIII.

XIX.

XX.

XXI.

XXII.

XXIII.

XXIV.

XXV.

XXVI.

XXVII.

XXVIII.

XXIX.

XXX.

XXXI.

XXXII.

XXXIII.

XXXIV.

XXXV.

XXXVI.

XXXVII.

XXXVIII.

XXXIX.

XXXX.

XXXXI.

XXXXII.

XXXXIII.

XXXXIV.

XXXXV.

XXXXVI.

XXXXVII.

XXXXVIII.

XXXXIX.

XXXXX.

Plus 1927 Budget Appropriations for Amortization of Funded Debt..... Nil

Debt Balance of 1927 Budget Appropriations for direct Redemption of Funded Debt..... \$826,482,285.11

TOTAL CONSTITUTIONAL DEBT, WITHIN THE DEBT LIMIT..... \$1,822,436,653.86

LAND LIABILITY (estimated) for all Purposes (including Rapid Transit, Docks, and Schools), including Contract Liability—Street Improvement Fund (Local Improvements)..... \$46,718,525.67

CONTRACT LIABILITY—Rapid Transit: Contract No. 1..... \$2,997,194.17

Contract No. 2..... 7,572,299.95

Contract No. 3..... 67,954,529.50

Account of Independent Subway System..... 99,601.81

Account of Contracts registered prior to March 18, 1913..... 78,623,625.43

..... 111,606,182.95

..... \$158,324,708.62

OPEN MARKET ORDERS—Estimated..... \$158,424,708.62

Less Cash available therefor:

For account of Various Municipal Purposes (exclusive of Balance of Cash from Sale of Tax Notes)..... \$1,395,643.98

For account of Rapid Transit Purposes..... 77,133.60

TOTAL INDEBTEDNESS WITHIN THE DEBT LIMIT..... 1,473,797.58

..... \$1,179,380,994.90

..... \$1,179,380,994.90

CONSTITUTIONAL DEBT-INCURRING POWER OF THE CITY OF NEW YORK, WITHIN THE DEBT LIMIT, as of MARCH 1, 1927..... \$274,602,525.40

The Legal "Debt Limit" thus established is available for:

Rapid Transit only—Contracts Nos. 1 and 2—Reminders of Authorizations..... \$187,064.28

Unencumbered Authorizations for Dock Improvements..... 2,164,083.37

Specific Authorizations for Various Municipal Purposes against which no Contract or other Liabilities were registered as of Closing—February 28, 1927:

For Other Purposes..... \$10,016,180.57

For Other Purposes..... 18,151,655.96

TOTAL UNRESERVED MARGIN WITHIN DEBT LIMIT—AVAILABLE FOR ADDITIONAL SPECIFIC AUTHORIZATIONS for any MUNICIPAL PURPOSES which the BOARD of ESTIMATE and APPORTIONMENT may determine..... 28,167,836.53

..... \$244,163,841.22

Taken from the Department of Finance pamphlet, *Constitutional Provisions, Legal Enactments and Court Decisions Determining New York City's Debt within the Debt Limit and Statements of the Constitutional Debt Incurred Power of the City as of January 1, 1927, March 1, 1927, and April 1, 1927*, p. 7.

APPENDIX Q

COMPARATIVE TABLES OF THE FINANCES OF THE TEN LARGEST CITIES IN THE UNITED STATES¹

CITY	POPULATION	AREA (Acres)	ASSESSED VALUATION	PER CAPITA
New York	5,877,251	191,360.0	\$12,944,481,493	\$2202
Chicago	2,995,239	125,430.2	1,873,921,764	625
Philadelphia	1,979,364	81,920.0	3,967,810,352	2004
Detroit	1,218,089	76,245.4	2,757,664,010	2263
Cleveland	936,485	43,929.0	2,168,243,440	2315
St. Louis	814,909	39,040.0	1,194,633,020	1465
Baltimore	796,296	50,560.0	1,476,386,372	1854
Boston	781,622	27,634.8	1,862,799,900	2383
Los Angeles	900,000 ²	262,896.0	1,374,750,565	1545
Pittsburgh	631,563	30,035.2	1,014,116,820	1605

¹ From *Financial Statistics of Cities* (U. S. Bureau of the Census, 1926).

² Estimated.

CITY	NET RECEIPTS	PER CAPITA	COST OF GOVERNMENT	PER CAPITA
New York	\$438,991,198	\$74.69	\$523,756,518	\$65.75
Chicago	202,830,098	67.71	223,724,124	46.13
Philadelphia	107,000,220	54.05	165,247,709	47.19
Detroit	107,362,534	88.14	123,956,775	64.06
Cleveland	65,514,302	69.95	80,445,651	53.04
St. Louis	39,262,138	48.17	44,647,750	38.69
Baltimore	37,240,947	46.76	48,019,840	40.35
Boston	68,114,642	87.14	73,066,363	72.16
Los Angeles	103,971,340	115.52	129,584,638	143.98
Pittsburgh	42,367,132	67.08	48,561,728	57.08

FINANCIAL ADMINISTRATION: APPENDIX Q

CITY	TAXES LEVIED	TAX RATE	PER CAPITA	NET DEBT	PER CAPITA
New York	\$327,951,701	25.33	\$55.80	\$1,250,438,056	\$212.76
Chicago	167,981,958	89.72	56.08	176,597,810	58.96
Philadelphia	84,727,392	21.35	42.81	300,166,122	151.65
Detroit	69,842,204	25.32	57.34	176,516,040	144.91
Cleveland	50,649,517	23.36	54.08	132,645,624	141.64
St. Louis	27,938,245	23.39	34.28	22,931,592	28.14
Baltimore	29,928,177	20.53	37.58	101,343,043	127.27
Boston	49,736,757	26.70	63.63	94,033,129	120.31
Los Angeles	53,549,928	38.95	59.49	159,162,949	176.84
Pittsburgh	36,722,409	34.47	58.15	87,588,291	138.68

REVENUE RECEIPTS

CITY	TOTAL	GENERAL PROPERTY TAX	% OF TOTAL	SPECIAL TAXES	% OF TOTAL	BUSINESS AND NON-BUSINESS LICENSE
New York	\$464,535,361	\$305,605,029	65.7	\$26,861,072	05.7	\$14,393,135
Chicago	205,024,118	130,932,953	63.8	97,182	00.04	8,047,413
Philadelphia	110,167,284	76,563,248	69.4	62,512 ¹	00.05	1,554,961
Detroit	108,118,958	58,283,628	53.9	902,295	00.8	1,281,274
Cleveland	66,823,335	45,042,495	67.4	285,951	00.4	1,383,783
St. Louis	39,606,691	25,666,998	64.8	....	..	2,766,943
Baltimore	38,368,333	26,681,309	69.5	652,956	01.7	1,359,924
Boston	69,649,744	48,259,855	69.2	{ 6,965,676 337,721 ¹	{ 10.0 00.4 }	480,672
Los Angeles	106,672,005	56,057,559	52.5	....	..	3,937,870
Pittsburgh	42,720,154	33,759,168	79.0	249,769 ¹	00.5	561,406

¹ Poll Tax

CITY	% OF TOTAL	SPECIAL ASSESSMENTS	% OF TOTAL	FINES, FORFEITS AND ESCHEATS	% OF TOTAL	SUBVENTIONS AND GRANTS AND DONATIONS
New York	03.0	\$13,940,324	03.0	\$2,441,563	00.5	\$28,323,652
Chicago	03.9	28,074,695	13.6	1,349,402	00.6	5,378,875
Philadelphia	01.4	1,020,887	00.9	141,977	00.1	3,150,912
Detroit	01.1	8,399,906	07.7	659,274	00.6	4,494,308
Cleveland	02.0	5,325,269	07.9	625,587	00.9	490,058
St. Louis	06.9	2,860,302	07.2	160,868	00.4	988,456
Baltimore	03.5	1,074,607	02.8	29,876	00.07	1,107,229
Boston	00.6	550,632	00.7	391,384	00.5	782,105
Los Angeles	03.6	17,907,084	16.7	1,328,979	01.2	3,732,809
Pittsburgh	01.3	776,395	01.8	351,475	00.8	1,169,017

CITY	% OF TOTAL	HIGHWAY PRIVILEGES, RENTS AND INTEREST	% OF TOTAL	EARNINGS OF GENERAL DEPTS.	% OF TOTAL	EARNINGS OF PUBLIC SERVICE ENTERPRISES	% OF TOTAL
New York .	06.0	\$34,351,452	07.3	\$5,431,998	01.1	\$33,187,136	07.1
Chicago .	02.6	13,044,991	06.3	7,168,474	03.4	10,930,133	05.3
Philadelphia .	02.8	16,156,830	14.6	4,133,143	03.7	7,382,814	06.7
Detroit .	04.1	1,350,295	01.2	3,895,851	03.5	28,852,127	26.6
Cleveland .	00.7	2,675,861	04.0	2,650,712	03.9	8,343,619	12.4
St. Louis .	02.4	2,389,752	06.0	1,258,354	03.1	3,515,018	08.8
Baltimore .	02.8	2,904,607	07.5	502,368	01.3	4,055,457	10.5
Boston .	01.1	5,213,967	07.4	2,423,254	03.4	4,244,478	06.0
Los Angeles	03.4	2,673,939	02.5	2,694,357	02.7	18,339,408	17.1
Pittsburgh .	02.7	1,837,243	04.3	1,098,013	02.5	2,917,668	06.8

GOVERNMENT—COST PAYMENTS FOR EXPENSES OF GENERAL DEPARTMENTS

CITY	TOTAL	GENERAL GOVERNMENT	PROTECTION TO PERSON AND PROPERTY
New York	\$295,464,720	\$30,506,488	\$57,016,718
Chicago	120,289,622	12,401,779	23,555,175
Philadelphia	77,370,593	8,284,989	15,764,179
Detroit	48,375,999	3,813,397	11,125,678
Cleveland	37,143,189	3,412,217	6,004,150
St. Louis	27,916,839	2,876,019	6,792,046
Baltimore	25,106,259	1,736,905	6,404,386
Boston	45,764,065	4,161,937	9,036,812
Los Angeles	47,256,777	4,364,186	9,023,611
Pittsburgh	29,968,106	3,619,001	4,827,382

CITY	CONSERVATION OF HEALTH	SANITATION	HIGHWAYS	CHARITIES, HOSPITALS AND CORRECTIONS
New York	\$5,117,815	\$26,547,487	\$22,623,173	\$18,835,392
Chicago	3,572,272	12,616,970	8,150,732	5,776,688
Philadelphia	1,218,986	7,174,641	4,964,444	6,182,902
Detroit	1,859,659	3,627,903	3,892,919	3,688,008
Cleveland	1,226,451	2,596,039	2,965,314	2,002,674
St. Louis	739,664	1,565,287	2,618,161	2,650,414
Baltimore	574,045	2,257,851	3,120,198	1,600,654
Boston	1,213,872	3,805,060	3,088,550	4,350,571
Los Angeles	1,208,975	1,601,873	4,619,368	3,209,021
Pittsburgh	669,801	2,674,088	3,493,741	2,089,893

CITY	EDUCATION	RECREATION	MISCELLANEOUS	INTEREST
New York	\$104,776,966	\$6,340,679	\$21,627,585	\$76,781,588
Chicago	40,505,403	5,889,659	6,181,076	11,199,006
Philadelphia	22,357,448	2,940,674	7,726,596	13,130,038
Detroit	14,884,501	2,127,167	2,087,517	9,742,468
Cleveland	14,596,907	555,001	2,110,573	8,484,917
St. Louis	8,603,909	1,269,484	435,182	1,288,744
Baltimore	7,282,113	1,010,049	835,636	5,405,920
Boston	13,813,945	2,453,964	3,002,285	7,997,186
Los Angeles	20,292,640	851,657	725,320	6,483,105
Pittsburgh	10,170,377	628,696	1,229,052	4,273,516

APPENDIX R

FUTURE COURSE OF ASSESSED VALUATIONS

To ascertain the character of the general trend of real estate valuations and to study the estimates in the Board of Transportation Report ¹ in relationship to that trend, Diagrams I and II were prepared. The data on which they are based are presented in Table I.

TABLE I

ASSESSED VALUE AND FULL VALUE OF TAXABLE REAL ESTATE, 1898-1928

	Assessed Value of Taxable Real Estate in Millions ¹	Annual Increases in Assessed Values of Taxable Real Estate in Millions	Assessed Value of Taxable Land in Millions	Assessed Value of New Building Exempt until 1932 in Millions	Full Value of Taxable Real Estate in Millions
1898.....	2,533.7	.....	.....	.....	3,839
1899.....	2,932.4	398.7	.....	.....	4,312
1900.....	3,168.5	236.1	.....	.....	4,660
1901.....	3,237.8	69.3	.....	.....	4,762
1902.....	3,330.6	92.8	.....	.....	4,899
1903.....	4,751.5	1,420.9	.....	.....	5,384
1904.....	5,015.5	264.0	.....	.....	5,635
1905.....	5,221.6	206.1	3,740.1	.....	5,867
1906.....	5,738.5	516.9	4,082.6	.....	6,446
1907.....	6,240.5	502.0	4,325.1	.....	7,011
1908.....	6,722.4	481.9	4,666.3	.....	7,553
1909.....	6,807.2	84.8	3,915.6	.....	7,648
1910.....	7,044.2	237.0	4,033.7	.....	7,915
1911.....	7,853.8	814.6	4,642.2	.....	8,636
1912.....	7,861.9	3.1	4,650.9	.....	8,640
1913.....	8,006.6	144.7	4,683.5	.....	8,799
1914.....	8,049.9	43.3	4,699.9	.....	8,750
1915.....	8,109.8	59.9	4,745.0	.....	8,721
1916.....	8,207.8	98.0	4,717.2	.....	8,826
1917.....	8,254.5	46.7	4,670.2	.....	8,876
1918.....	8,339.6	85.1	4,660.0	.....	8,872
1919.....	8,428.3	88.7	4,665.3	.....	8,966
1920.....	8,626.2	197.9	4,722.8	.....	9,177
1921.....	9,973.0	1,346.8	5,044.0	.....	10,610
1922.....	10,250.0	277.0	3,099.9	.....	11,142
1923.....	10,596.1	346.1	5,210.2	248.	11,909
1924.....	11,148.8	552.7	5,443.0	482.	12,119
1925.....	11,901.3	752.5	5,695.8	804.	12,938
1926.....	12,997.6	1,096.3	6,213.3	896.	14,128
1927.....	14,539.8	1,542.2	7,139.5	917.	15,804
1928.....	15,845.5	1,305.7	7,748.3 ²	916.	17,038

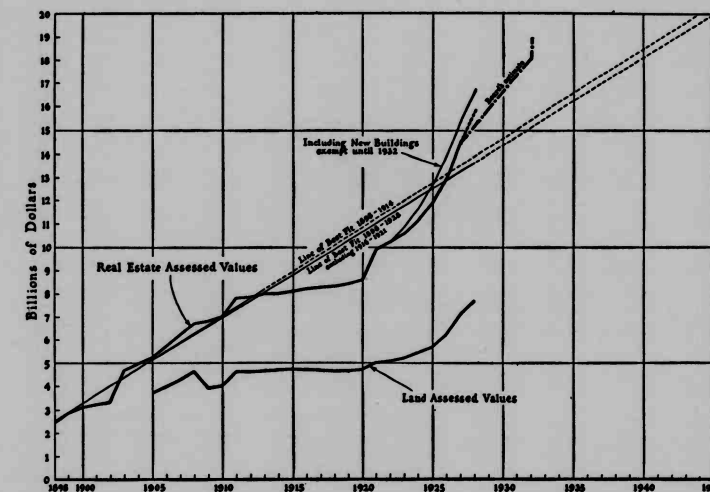
¹ Includes Real Estate of corporations and special franchises.

² Preliminary figure.

tation Report ¹ in relationship to that trend, Diagrams I and II were prepared. The data on which they are based are presented in Table I.

Diagram I shows the variations in assessed values of real estate and projects the line to show the course of the Board's estimates.

DIAGRAM I

COURSE OF ASSESSED VALUES OF REAL ESTATE SINCE CONSOLIDATION ¹

¹ Equation to lines of best fit. Period 1898-1914, $y = 5.55 + 0.38x$, origin 1906, y in units of 1 billion dollars. Period 1898-1928 (exclusive of 1914-1921). $y = 2.18 + 0.35x$, origin 1897, y in units of 1 billion dollars.

Lines of best fit are inserted to indicate the general trend.² It is obvious that in recent years assessments have been increasing at an unprecedented rate. The main cause is almost certainly the undersupply of buildings accumulated during the war years. The assessment increase has come chiefly in building rather than

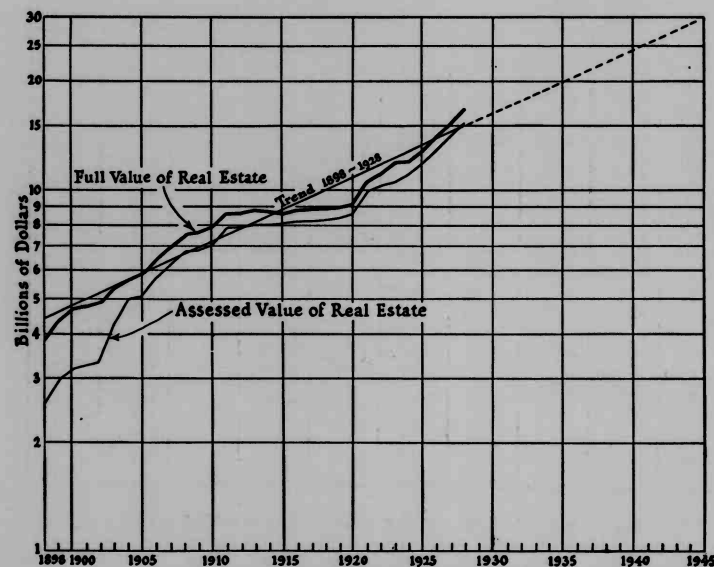
¹ Communication from the Board of Transportation to the Board of Estimate and Apportionment, July 12, 1927.

² Lines describing the average or normal long-time trend fitted by the method of least squares.

in land values. In 1905 land values made up approximately three-fourths of the assessment roll. Today they are slightly less than one-half.

The question is this: How rapidly is the curve approaching a point when the abnormal stimulus of the starved war years will

DIAGRAM II

COURSE OF FULL VALUES OF REAL ESTATE SINCE CONSOLIDATION ¹

¹ Equation to line of best fit. Period 1898-1928, $\log y = 0.91213 + 0.01764 x$ origin 1913, y in units of 1 billion dollars.

disappear, and the line representing the assessed values again resume a more normal course? It is true that for the last eight years ¹ (1921-1928) the average annual increment has been

¹ This was a period of abnormally high prices for building materials and high costs for construction work. This accounts in part for the high valuation placed upon the volume of new building. Should general prices decrease it is quite possible that buildings erected during high prices would have to be revalued on a lower basis.

approximately 900 millions; but in the preceding seven years (1914-1920) the average increment was only 90 millions a year. In a more normal period before the war (1907-1913) assessments showed an average increase of 325 millions per year. Even allowing for the increases in population and the higher costs of building it does not seem likely that the average annual increments will be much over 400 millions for the period 1928 to 1932. Increments of over 800 millions have been recorded only six times since consolidation.

Diagram II affords a less simple but more accurate basis for forming a judgment than Diagram I. Plotted on logarithmic paper and based on full values rather than assessed values of real estate,¹ the line of trend becomes a more trustworthy guide to normal future developments. From this chart it appears that the "full value" of taxable real property has been above the calculated theoretical long-time normal since 1926. It is possible that the curve of full valuations will continue for several years (as in the period 1906-1914) above the "normal." As yet there is no indication of a change in direction. However, it does not seem likely that the present high rate of increase can continue for many years without a reaction setting in.

The evidence of this chart does not demonstrate, of course, unsoundness in the estimates of the Board of Transportation. There is a fair, even a good chance that they will be justified by the event. It is clear, however, that they do not err in the direction of conservatism.

¹ Full values form a better basis for estimating the growth of real estate as the rate of assessment has changed frequently in the past.

APPENDIX S

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REBECCA B. RANKIN

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